

KANSAS WORKERS COMPENSATION FUND

YEAR END REPORT

FY 2018



Vicki Schmidt

Commissioner of Insurance



Kansas Insurance Department

Vicki Schmidt, Commissioner of Insurance

Kansas State Capitol
300 SW 10th Street
Topeka, Kansas 66612

Members of the Committee:

I am pleased to present to you the FY 2018 Annual Report of the Kansas Workers Compensation Fund ("Fund"). This report summarizes the activities of the Fund through the period ending July 1, 2018.

Pursuant to K.S.A § 44-566a(h), this report includes recommendations about the advisability of continuation or termination of the Workers Compensation Fund, suggested changes to the Workers Compensation Act relating to the Fund, an analysis on changes in the Federal Americans with Disabilities Act that would impact the Fund, and recommendations on ways to reduce the claim and operational costs of the Fund.

As an overview, I will make the following initial recommendations:

1. The Fund should continue to provide benefits as provided by law;
2. The Fund is not recommending any changes to the Workers Compensation Act at this time;
3. There is no direct impact on the Fund this year from the Americans with Disabilities Act or the Amendments of 2009; and
4. New partnerships with outside vendors are being formed to decrease costs and overall liabilities.

A more detailed analysis of these recommendations is included in the following report. Upon further review, if you have questions or concerns, please do not hesitate to contact me personally at KID.Commissioner@ks.gov or at 785-296-3071.

Sincerely yours,

Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
420 S.W. 9th St.
Topeka, KS 66612

I. General Overview

The Kansas Workers Compensation Fund (“Fund”) was established in 1993 when the Legislature made changes to the workers compensation laws. The 1993 changes abolished the Kansas Second Injury Fund. However, the Kansas Workers Compensation Fund retained the liability for the existing Kansas Second Injury Fund cases. In addition to the existing claims, the Kansas Workers Compensation Fund was and is liable for cases in which an employer does not carry workers compensation insurance and is financially unable to pay for work injuries to its employees. Additionally, the Fund is liable for Director Certifications, which are reimbursements to insurance carriers or employers in cases in which there has been an overpayment of benefits to a claimant for reasons such as fraud, mistake, or failure to prove a case. An analysis of the liability for each of these claims is detailed 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 understandably hesitant to hire someone with a previous injury because of the risk that the employee will suffer a second injury.

The Second Injury Fund was partially or fully liable for claims of an injured employee if (1) the employer could establish that it knowingly hired or retained a previously injured employee (a person with a pre-existing injury) with knowledge of the preexisting injury, or (2) when the employee intentionally misrepresented the existence of a pre-existing injury and the employer hired them without knowledge of that condition.

b. WCF: Insolvent/Uninsured Employer, Current Law

The 1993 legislative changes represented a significant policy shift. The Fund would no longer be used to incentivize employers to hire previously injured employees. Instead, the Fund is now brought

into a case when an injured worker's 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 essentially steps 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 begin making payments. The Fund may then seek reimbursement from the employer in a separate civil action.

II. New Federal Medicare and ADA Requirements affecting the Fund

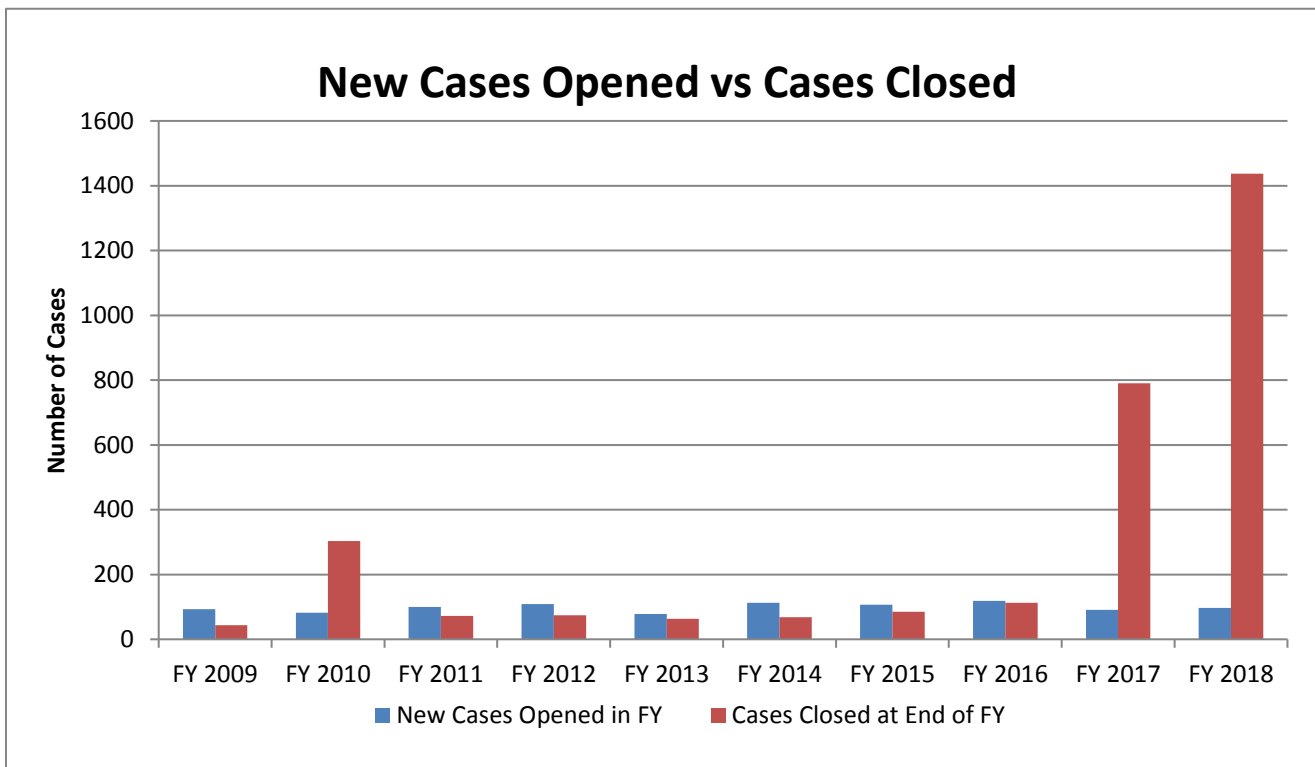
In instances where Medicare inadvertently pays for medical treatment that should be paid under the Workers Compensation Act, Medicare will seek reimbursement from compensable providers, including the Fund. Compensable providers are required by 42 U.S.C.A. 1395y to report claims where the injured employee is Medicare eligible to the Center for Medicare and Medicaid Services (CMS). To date, the Fund has met its reporting obligation and CMS has acknowledged receipt of the data. This year's data submission identified 216 Medicare beneficiaries for whom the Fund has either a current or permanent obligation to provide medical services.

III. Case Information

The Fund has continued its FY 2017 push to close cases that have been dormant for over 10 years. An additional **1,437 cases were closed** in FY 2018. This represents an 81.9% increase in the number of cases closed from the prior year and a 40.92% decrease in the number of overall cases since FY 2017. It is anticipated that this continued focus on closing claims will decrease overall Fund expenses in the coming years.

Open Case Statistics

Fiscal Year	New Cases Opened in FY	% Change from prior FY	Cases Closed at End of FY	% Change from Prior FY	Open Cases at End of FY	% Change from prior FY
FY 2009	93	-12.26%	44	-20.00%	3,991	+1.22%
FY 2010	82	+11.83%	303	+588.63%	3,779	-5.31%
FY 2011	100	+21.95%	72	-76.24%	3,809	+7.90%
FY 2012	109	+9.00%	74	+2.78%	3,853	+1.15%
FY 2013	78	-28.44%	63	-14.86%	3,866	>+0.01%
FY 2014	113	+44.87%	68	+7.94%	3,914	>+0.013%
FY 2015	107	+5.31%	85	+25.00%	3,940	>+0.007%
FY 2016	119	+11.22%	113	+32.95%	3,950	>+0.003%
FY 2017	91	-23.53%	790	+599.12%	3,250	-17.72%
FY 2018	97	+6.59	1,437	+81.90%	1,920	-40.92%



IV. Financial

The Fund receives income from three sources: (1) assessments of workers compensation carriers, self-insurers, and group-funded pools (“carriers”), (2) reimbursements from uninsured employers, and (3) fines levied against uninsured employers by the Division of Workers Compensation. Assessments are based on a carrier’s total paid losses for the prior year. Paid losses are the amount of money expended in the payment of claims for a carrier.

The Fund’s liabilities result from three types of actions: 1) old second injury actions (pre-1993); 2) uninsured employer cases; and 3) Director Certifications. These expenses are discussed in more detail below.

Financial Statistics			
FY 2018 (July 2017-June 2018)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 2,653,115.81	Court Costs	\$ 48,108.83
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ -
Fine & Penalties Receipts	\$ 112,895.78	Director Certification	\$ 3,304,859.68
Misc. Reimbursements	\$ 190,975.30	Compensation Costs	\$ 781,209.78
TOTAL RECEIPTS	\$ 2,956,986.89	Medical Costs	\$ 654,586.40
LEGISLATIVE TRANSFER	\$ 2,355,000.00	Other Operating Costs	\$ 203,672.96
Previous Year Carryover	\$ 10,615,364.55	Attorney Fee Expenses	\$ 309,396.41
LEGISLATIVE SWEEP	\$ -		
TOTAL FUNDS AVAILABLE	\$ 15,927,351.44	TOTAL EXPENDITURES	\$ 5,301,834.06
TOTAL END BALANCE	\$ 10,625,152.89		

FY 2017 (July 2016-June 2017)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 3,650,561.03	Court Costs	\$ 48,680.14
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ 4,875.77
Fine & Penalties Receipts	\$ 192,982.12	Director Certification	\$ 1,434,120.88
Misc. Reimbursements	\$ 110,813.48	Compensation Costs	\$ 659,449.45
TOTAL RECEIPTS	\$ 3,954,356.63	Medical Costs	\$ 757,177.33
Previous Year Carryover	\$ 10,030,389.47	Other Operating Costs	\$ 202,279.06
		Attorney Fee Expenses	\$ 262,984.55
LEGISLATIVE SWEEP	\$ -		\$ -
TOTAL FUNDS AVAILABLE	\$ 13,984,746.10	TOTAL EXPENDITURES	\$ 3,369,567.18
TOTAL END BALANCE	\$ 10,615,364.55		

FY 2016 (July 2015-June 2016)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 3,143,617.45	Court Costs	\$ 41,122.69
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ 208.16
Fine & Penalties Receipts	\$ 148,434.14	Director Certification	\$ 1,255,844.80
Misc. Reimbursements	\$ 65,266.66	Compensation Costs	\$ 690,908.30
TOTAL RECEIPTS	\$ 3,357,318.25	Medical Costs	\$ 1,201,418.52
Previous Year Carryover	\$ 10,360,511.77	Other Operating Costs	\$ 186,561.44
		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	Court Costs	\$ 29,235.91
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ 7,700.58
Fine & Penalties Receipts	\$ 209,038.29	Director Certification	\$ 1,288,238.71
Misc. Reimbursements	\$ 411,632.56	Compensation Costs	\$ 732,069.07
TOTAL RECEIPTS	\$ 7,790,352.88	Medical Costs	\$ 1,149,710.94
Previous Year Carryover	\$ 6,185,611.77	Other Operating Costs	\$ 187,672.87
		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	Court Costs	\$ 38,537.17
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ 8,047.33
Fine & Penalties Receipts	\$ 202,052.59	Director Certification	\$ 2,842,437.03
Misc. Reimbursements	\$ 166,453.29	Compensation Costs	\$ 1,250,239.37
TOTAL RECEIPTS	\$ 5,422,077.30	Medical Costs	\$ 1,856,095.87
Previous Year Carryover	\$ 7,373,498.70	Other Operating Costs	\$ 374,596.72
		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	Court Costs	\$ 38,661.29
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ 7,705.86
Fine & Penalties Receipts	\$ 104,054.15	Director Certification	\$ 906,437.06
Misc. Reimbursements	\$ 31,075.71	Compensation Costs	\$ 995,757.29
TOTAL RECEIPTS	\$ 1,569,419.03	Medical Costs	\$ 1,221,779.22
Previous Year Carryover	\$ 9,448,671.30	Other Operating Costs	\$ 176,853.79
		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	Court Costs	\$ 42,610.75
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ 18,129.43
Fine & Penalties Receipts	\$ 181,833.62	Director Certification	\$ 1,589,403.83
Misc. Reimbursements	\$ 103,412.30	Compensation Costs	\$ 884,217.72
TOTAL RECEIPTS	\$ 5,034,918.21	Medical Costs	\$ 1,585,464.54
Previous Year Carryover	\$ 9,072,223.97	Other Operating Costs	\$ 231,213.74
		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		

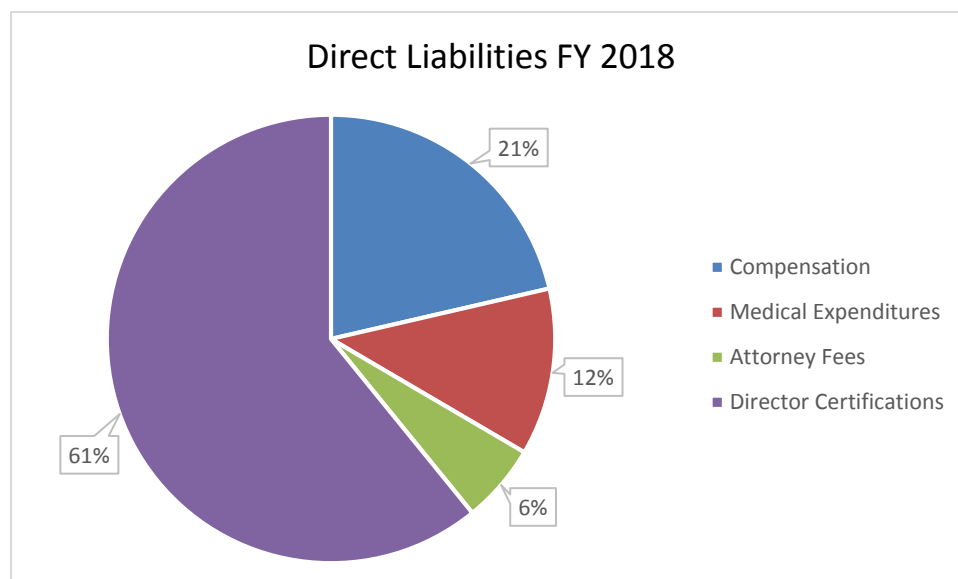
FY 2011 (July 2010-June 2011)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 8,768,448.24	Court Costs	\$ 46,149.67
Gen. Fund Entitlement	\$ -	Vocational Rehabilitation	\$ 15,749.48
Fine & Penalties Receipts	\$ 236,023.02	Director Certification	\$ 969,458.13
Misc. Reimbursements	\$ 65,394.53	Compensation Costs	\$ 1,635,679.08
TOTAL RECEIPTS	\$ 9,069,865.79	Medical Costs	\$ 1,956,159.79
Previous Year Carryover	\$ 5,154,857.39	Other Operating Costs	\$ 202,809.58
		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		

a. Liabilities

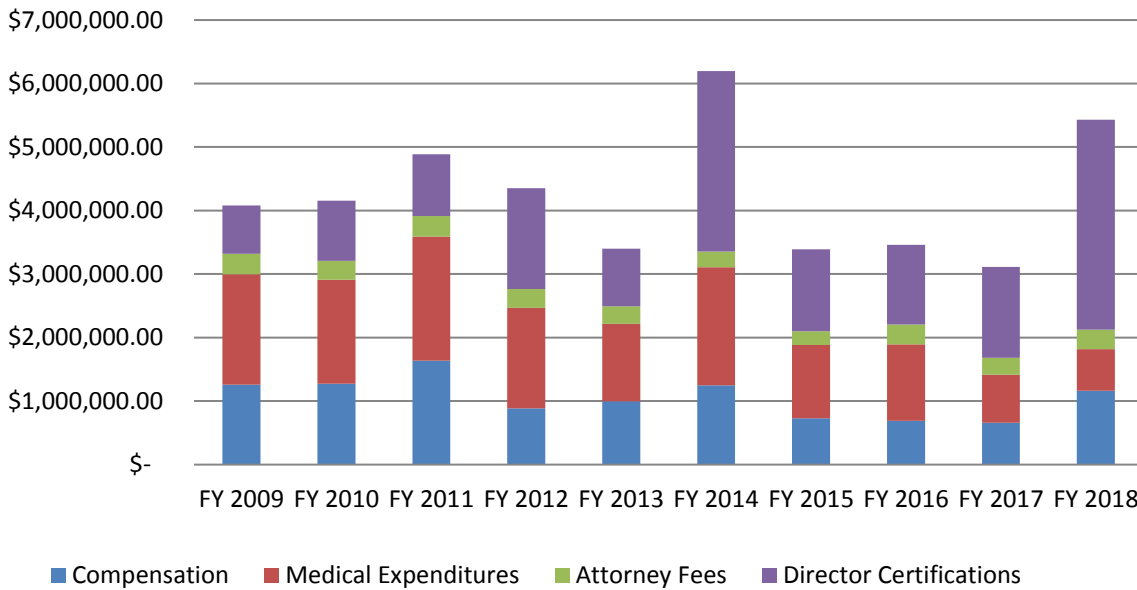
In FY 2018, the amount paid in medical expenditures by the Fund decreased by \$102,590.93 from the prior fiscal year, while the remaining liabilities increased. The largest increase resulted from a surge

in Director Certifications. 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 ultimately determined to be owed. The typical scenario involves an employer who pays benefits up front and it is later determined the claim was not compensable or the employee failed to pursue the claim. During FY 2018, the Fund was not made a party to the underlying claim and did not have the right to appeal a Director Certification.

<i>Total Direct Liabilities</i>					
Fiscal Year	Compensation	Medical Expenditures	Attorney Fees	Director Certifications	Total
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
FY 2017	\$ 659,449.45	\$757,177.33	\$ 262,984.55	\$1,434,120.88	\$3,113,732.21
FY 2018	\$ 781,209.78	\$ 654,586.40	\$ 309,396.41	\$ 3,304,859.68	\$ 5,301,834.06



Direct Expenditures



i. Disability Compensation

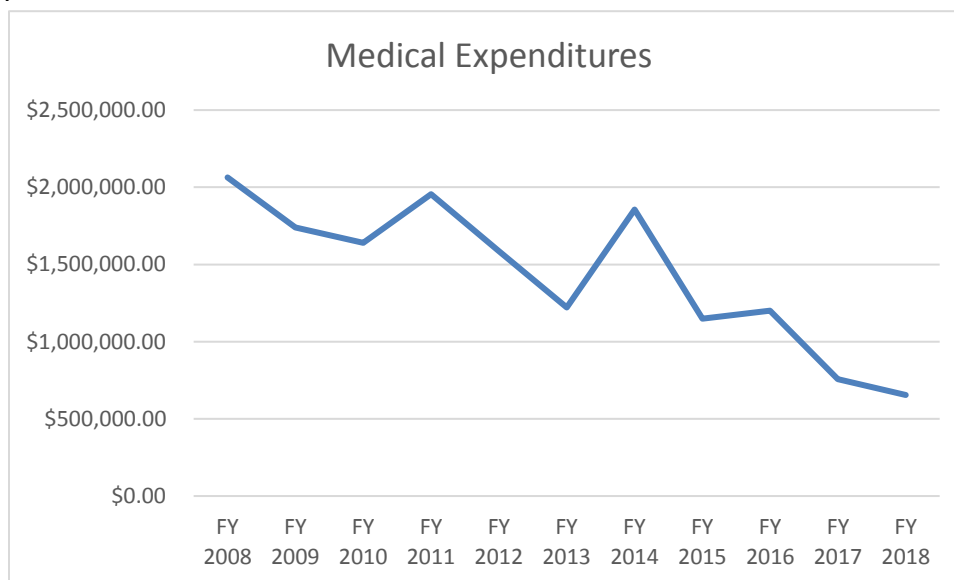
The purpose of disability compensation is twofold. First, it aims to compensate a person for the loss in function of a body part or psychological trauma. Second, it compensates an injured person for his or her inability to work. In FY 2018, the Fund experienced a 33.7% increase in total disability compensation paid. The driving factor for this increase was the push to close old claims. Prior to 2006, no procedure allowed the closure of dormant claims absent an agreement by the parties. Of currently open disability claims, 78% were opened prior to 2006. In order to close these claims, the Fund has entered into settlements with dormant claimants. These settlements were a major contributor to the increase in compensation payments in FY 2018. However, the settlements will limit future payment for medical expenses and attorney fees.

Yearly Compensation Payments

Fiscal Year	Payment Types					
	Lump Sum	Permanent Partial Disability	Permanent Total Disability	Temporary Partial Disability	Temporary Total Disability	Total Compensation Paid
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
2017	\$ 283,634.00	\$ 69,893.37	\$ 76,366.07	\$ 7,119.40	\$ 465,900.31	\$ 902,913.15
2018	\$ 345,791.07	\$ 48,066.49	\$ 40,895.51	\$ 697.73	\$ 772,155.93	\$ 1,207,606.73

ii. Medical Expenditures

In FY 2018, the Fund decreased its medical expenditures by 13.55% from the previous year. Much of this decrease is attributable to the use of a third party administrator in the oversight and management of claims. The TPA has assisted the Fund with bill review (to ensure the claims submitted are related to the work-related injury and implementing other best practices, such as use of: (1) a preferred provider network (2) a pharmacy card program, and (3) nurse case managers. These changes should continue to help the fund decrease medical expenditures through appropriate case management in the coming year.



iii. Attorney Fees

The Fund utilizes contract attorneys to manage costs and increase efficiency. Currently, the Fund has 13 active attorneys. In FY 2018, attorney fees increased by \$46,411.86. The increase was due, in large part, to an increase in the hourly rate of contract attorneys. In FY 2018, the Fund increased the hourly rate from \$105/hour to \$125/hour. The rate increase was necessary to retain and attract qualified counsel to represent the Fund.

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 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
FY 2017	2,505	\$ 262,984.55	\$ -	\$ 262,984.55
FY 2018	2,947	\$ 306,278.91	\$ 3,117.50	\$ 309,396.41

iv. Director Certifications

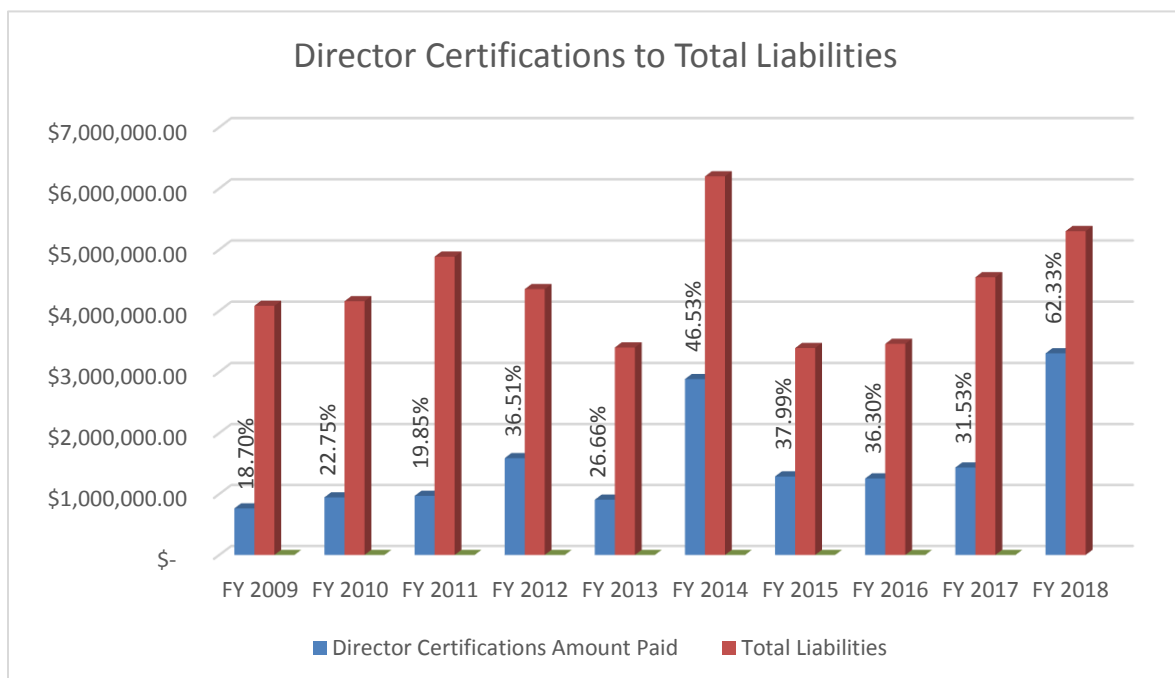
Currently, Director Certifications represent 61% of the Fund’s overall expenses. As can be seen in the following graph, the dollar amount reimbursed to employers and insurance carriers substantially increased in FY 2018. Until recently, the Fund had no legal means of controlling Director Certification costs. In October 2018, the Kansas Court of Appeals ruled in *Travelers. Travelers Cas. Ins. v. Karns*,¹ that “the Fund must be impleaded, as provided in K.S.A. 2017 Supp. 44-566a(c)(1), if it may be responsible for reimbursing benefits.” However, it ultimately remanded the proceeding to the Workers Compensation Board for a determination of whether “the Fund be impleaded consistent with K.S.A. 2017

¹ 56 Kan. App. 2d 388, 431 P.3d 301 (2018)

Supp. 44-566a(c)(1), given the various arguments that it might be liable for preliminary medical benefits.” If a final determination is made that the Workers Compensation Fund is to be impleaded whenever it may potentially be responsible for reimbursing benefits, the Fund may be able to better control costs related to Director Certifications in the future. However, increased resources may be necessary to monitor such cases, which may result in increased litigation expenses.

Director Certifications

<i>Fiscal Year</i>	<i>Amount Paid</i>	<i>Number of Certifications</i>
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	\$ 2,883,613.29	58
FY 2015	\$ 1,288,238.71	44
FY 2016	\$ 1,255,844.80	52
FY 2017	\$ 1,434,120.88	47
FY 2018	\$ 3,304,859.68	47

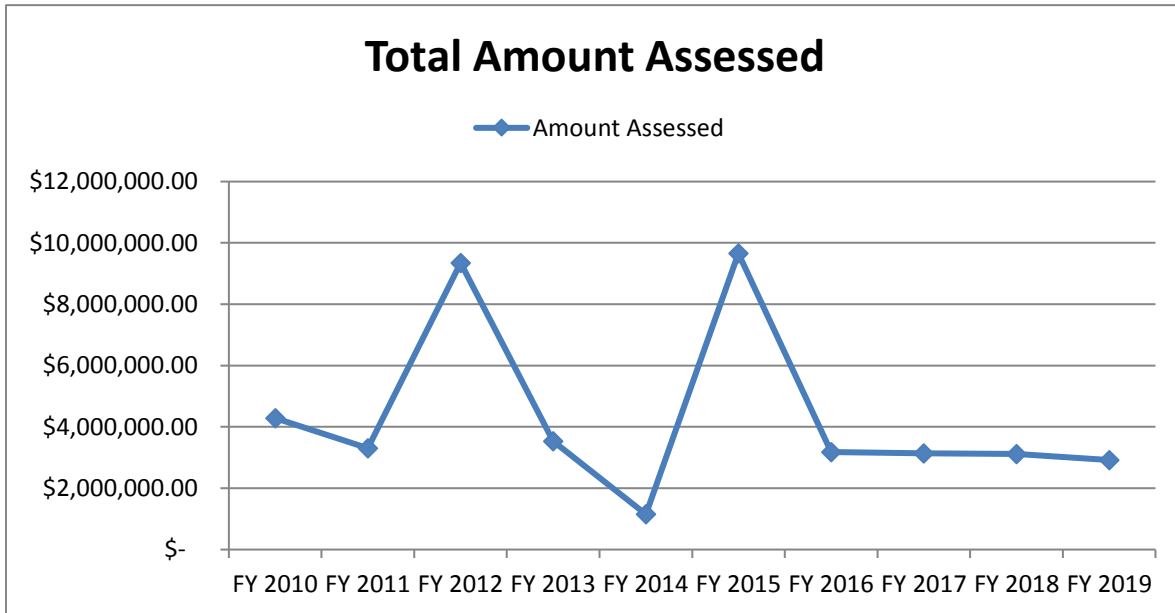


b. Sources to Replenish the Fund

i. Assessment

<i>Annual Workers' Compensations Assessments</i>			
Fiscal Year	Number of Assessed Entities	Assessment Rate	Amount Assessed
FY 2010	502	1.00%	\$ 4,290,288.00
FY 2011	503	0.75%	\$ 3,308,576.00
FY 2012	468	2.00%	\$ 9,344,294.00
FY 2013	479	0.75%	\$ 3,537,409.00
FY 2014	477	0.25%	\$ 1,150,543.00
FY 2015	477	2.25%	\$ 9,657,729.00
FY 2016	471	0.75%	\$ 3,184,806.00
FY 2017	478	0.75%	\$ 3,135,907.92
FY 2018	481	0.75%	\$ 3,121,389.43
FY 2019	469	0.75%	\$ 2,917,645.55

Pursuant to K.S.A. 44-566a, the fees assessed from self-insurers, insurance carriers, and group funded pools are 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.” The Commissioner continued the trend of keeping assessments in FY 2018 consistent since FY 2016.



ii. Reimbursements from Employers

The Fund has the right to reimbursement of all money paid on behalf of uninsured employer in the course of litigation. The Fund always seeks to obtain reimbursement from the uninsured employer. Fund attorneys attempt to enter into a voluntary reimbursement agreement with the employer 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 or have taken other actions to make collection difficult. In order to locate and collect from employers, the Fund engaged a collection firm. In addition, the Fund has employed law firms specializing in debt collection to increase recovery of owed reimbursement amounts. These changes have allowed the Fund to collect 72.34% more from uninsured employers in FY 2018 than collected in FY 2017.

Reimbursement Collected from Employers		
<i>Fiscal Year</i>	<i>Amount of Reimbursement</i>	<i>Number of Cases</i>
<i>FY 2009</i>	\$ 29,248.28	23
<i>FY 2010</i>	\$ 101,296.94	22
<i>FY 2011</i>	\$ 65,394.53	26
<i>FY 2012</i>	\$ 103,412.30	22
<i>FY 2013</i>	\$ 31,075.71	19
<i>FY 2014</i>	\$ 166,453.29	22
<i>FY 2015</i>	\$ 411,632.56	25
<i>FY 2016</i>	\$ 65,266.66	25
<i>FY 2017</i>	\$ 110,813.48	25
<i>FY 2018</i>	\$ 190,975.30	27

iii. Fraud and Abuse by Employers

All employers 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 Division of Workers Compensation under the Kansas Department of Labor 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.² Civil penalties collected are credited to the Workers Compensation Fund. 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 investigations.

Section 44-532 Fines Deposited with Fund		
<i>Fiscal Year</i>	<i>Amount of Deposited</i>	<i>Journal Entries</i>
<i>FY 2009</i>	\$267,504.35	88
<i>FY 2010</i>	\$235,627.10	72
<i>FY 2011</i>	\$236,023.02	56
<i>FY 2012</i>	\$181,833.62	58
<i>FY 2013</i>	\$104,054.15	41
<i>FY 2014</i>	\$202,052.59	48
<i>FY 2015</i>	\$209,038.29	61
<i>FY 2016</i>	\$148,434.14	47
<i>FY 2017</i>	\$192,982.12	33
<i>FY 2018</i>	\$112,895.78	34

² See K.S.A 44-532(d).

V. Ways the WCF is Reducing Claim and Operational Costs

a. Restructuring the Claims Process

During FY 2017, the Fund began to develop a new system for claims handling in an effort to reduce costs and increase the Fund's reimbursement ratio. Under the previous claims-handling system, Fund attorneys were 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 single attorney handling the case from beginning to end, a team of vendors, each specializing in a specific part of the process, are now utilized. These providers include workers compensation attorneys, civil collection attorneys, investigators, claims managers, and third party medical administrators. In addition, the Fund has developed new relationships with collections attorneys, collections firms, and claims managers.

b. Review Attorney Bills Closely

To control claims and operational costs, Fund staff at the Kansas Insurance Department review all invoices for attorney fees and an annual audit of attorney fee billings is completed. The Fund pays a fee of \$125.00 per hour to outside counsel to handle its cases. In a further effort to keep legal costs low, Fund staff at the Kansas Insurance Department continues in-house representation in certain cases.

VI. Conclusion

The data contained within this report shows the reforms that were implemented just a few years ago are clearly working and paying significant dividends. Previously, open claims hovered near 4,000. That number is now less than 2,000 and continuing to decline. If we continue on this trajectory there is a real possibility the number of open claims could reach less than 1,000 which would be a significant

accomplishment for the Fund. In addition to reducing the number of open claims, these reforms have ensured that claims are vetted and not erroneously paid – leading to a better financial position for the Fund. The Commissioner of Insurance is committed to continuing to improve the administration of the Kansas Workers Compensation Fund in all areas of concern and is especially thankful for the work of Grace Ray, the Department attorney who deserves credit for the creation and implementation of these reforms.