

WORKERS' COMPENSATION ASSESSMENT MECHANISM STATUS UPDATE

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Montana Department of
LABOR & INDUSTRY

OVERVIEW

- LMAC's decision to support SB 259
- Assessment Expenditures vs. CPI
- Assessment Rates and Assessment Process overview
- Projected Budgets

LMAC DECISION TO SUPPORT SB259

- Supported 5% cap for Admin Assessment and 2% for Safety Assessment
 - Passed at 4% and 2%
- **Safety Assessment ensures funding for DLI to provide essential services**
 - Reduce incident rate
 - Promotes LMAC's mission
- **Secure funding for all costs of DLI administering the WC Act**



FUNCTIONS COVERED BY ADMIN ASSESSMENT

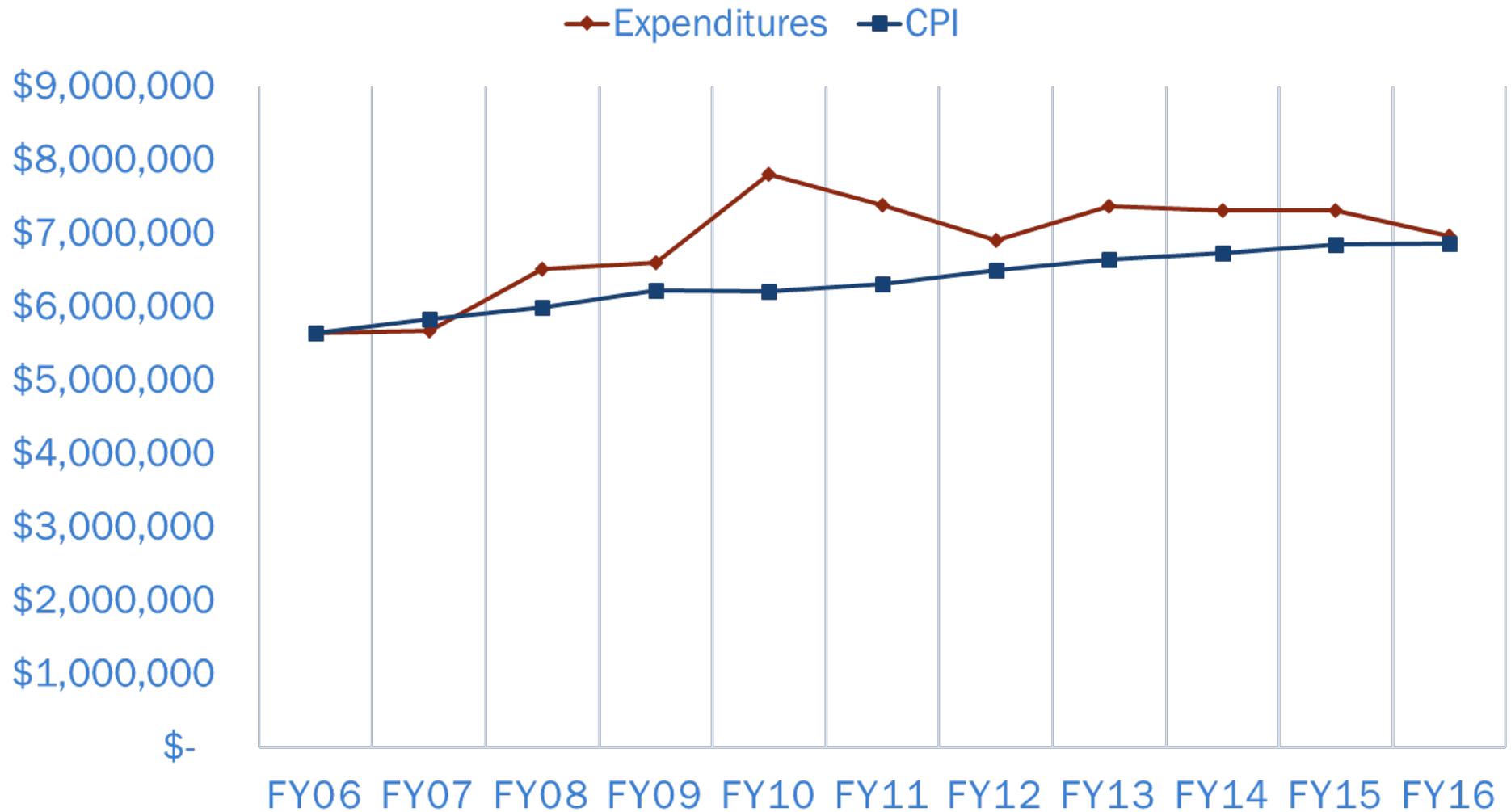
- Administration of Workers' Compensation Act
- Data Management Unit
- U&T Guidelines/Medical Fee Schedule
- Medical Director and IMR Process
- Mediation
- Attorney Fee Regulation
- Settlement Approval
- SAW/RTW
- 5-Year Medical Benefit Closure/Reopening Process
- Extra Territorial Agreements
- Plan 1 and Plan 2 Regulation
- Professional Employer Organization and Managed Care Regulation
- Workers' Compensation Court

FUNCTIONS COVERED BY SAFETY ASSESSMENT

- Education and Outreach
- Safety Fest
- Public Employer Compliance
- Public Employer Consultation
- OSHA 10 hr Certifications for Young Workers
- State Match of Private Employer Consultation
- Mine Training and Inspection
- R&A State Match for BLS Annual Survey on work injury and illness



WC ASSESSMENT EXPENDITURES VS CPI ANNUAL GROWTH



ASSESSMENT CALCULATION - FIRST STEPS

Budget

- Legislatively approved budget for Work Comp and Safety Functions

Paid Benefits Available for Assessment

- Medical Benefits paid in preceding Calendar Year **plus**
- Indemnity Benefits paid in preceding Calendar Year **minus**
- Medical Benefits in excess of \$200,000 on any one claim (excluded from calculation)

Plan 2 and Plan 3 Premium

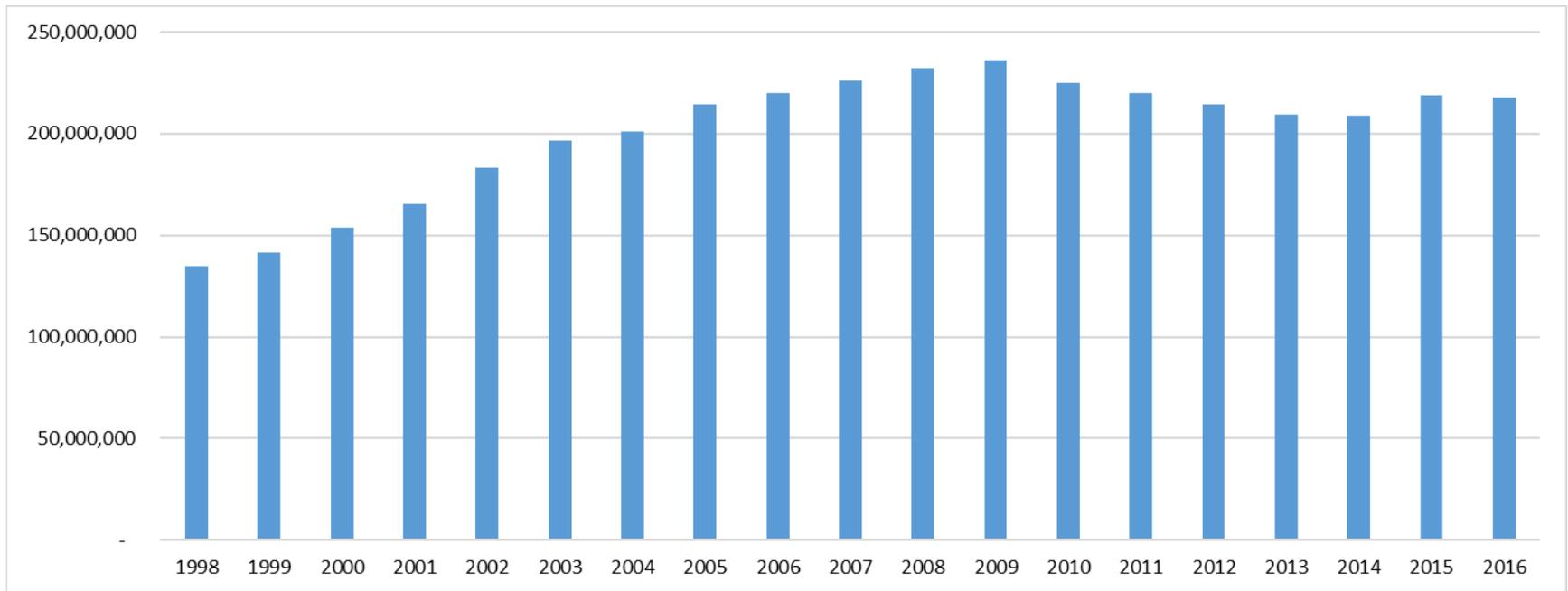
- Total earned premium from preceding Calendar Year

Amount of Assessment and Surcharge paid in previous Fiscal Year

- Look-back?

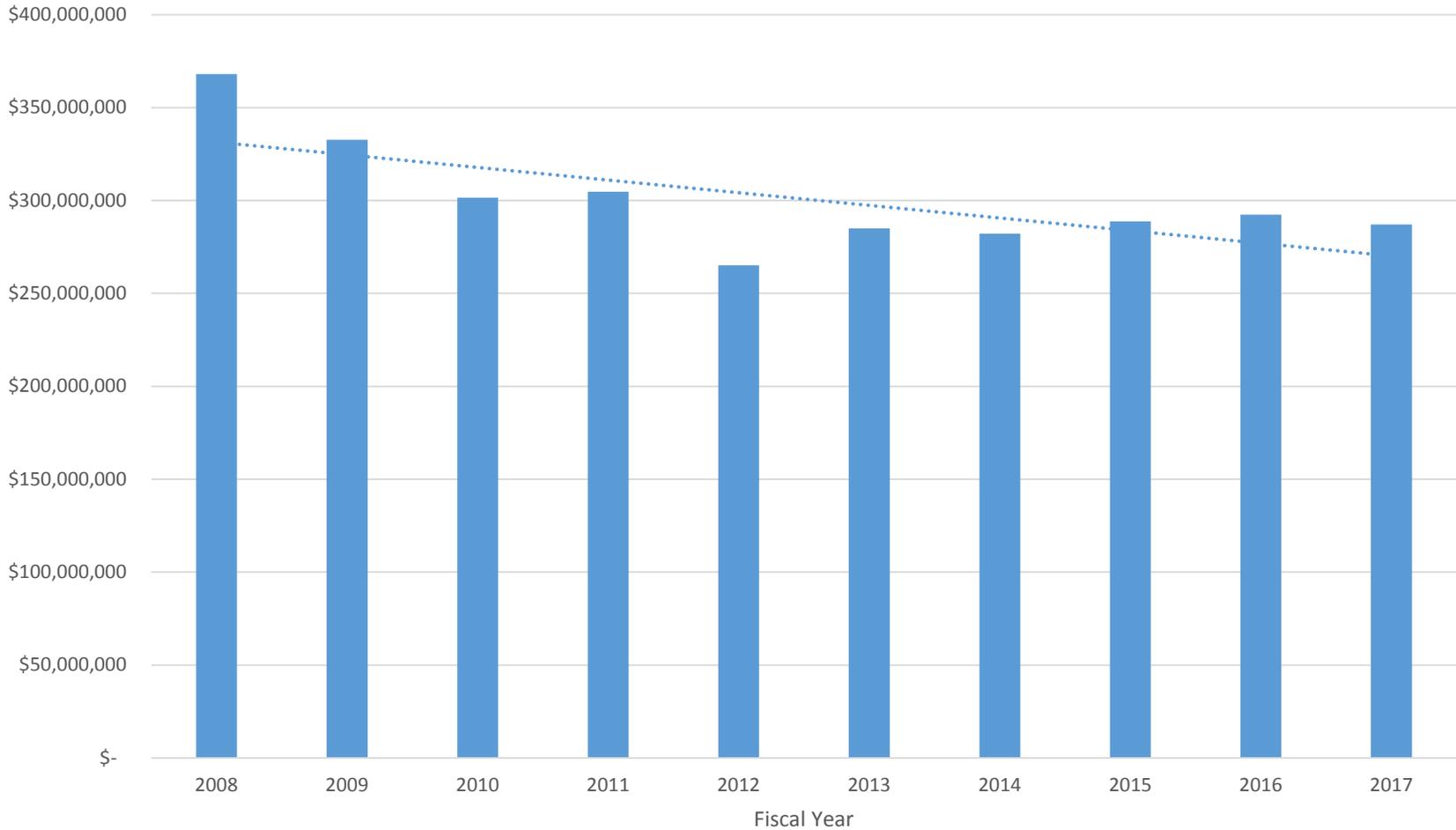


PAID BENEFITS AVAILABLE FOR ASSESSMENT

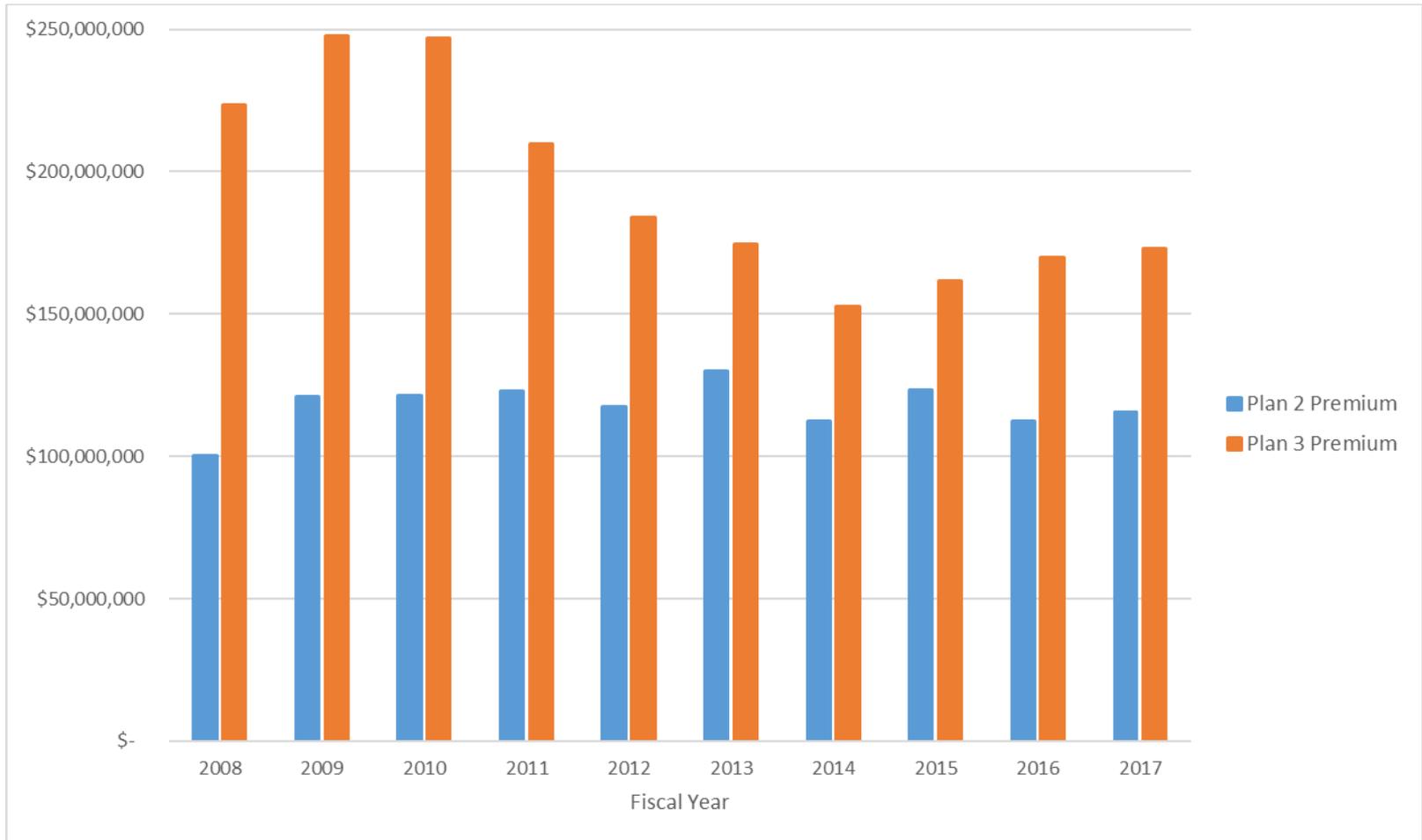


| | |
|------|-------------|
| 2012 | 214,350,640 |
| 2013 | 209,426,757 |
| 2014 | 208,847,027 |
| 2015 | 218,634,569 |
| 2016 | 217,941,765 |

TOTAL MONTANA WORK COMP PREMIUM AS REPORTED TO THE DEPARTMENT



PLAN 2 AND PLAN 3 PREMIUM AS REPORTED TO THE DEPARTMENT



THE ASSESSMENT CALCULATION

General

| | |
|-------------------------------|------------|
| Plan 1 (Self-Insured) QER | |
| Compensation | 15,878,984 |
| Medical | 26,531,726 |
| Medical > 200K | 4,035,393 |
| Plan 2 (Private Insured) QER | |
| Compensation | 29,013,863 |
| Medical | 50,536,870 |
| Medical > 200K | 4,042,814 |
| Plan 3 (State - Old Fund) QER | |
| Compensation | 1,411,196 |
| Medical | 6,814,851 |
| Medical > 200K | 4,370,854 |
| Plan 3 (State - New) QER | |
| Compensation | 36,619,090 |
| Medical | 80,693,979 |
| Medical > 200K | 17,109,734 |

| | |
|---------------------|-------------|
| Premiums for Plan 2 | 111,755,764 |
| Premiums for Plan 3 | 177,245,314 |

Admin. Assessment / Surcharge

| | |
|----------------------------------|-----------|
| Proj. Assess before adjustments | 5,649,980 |
| Assessment Rate | 2.59% |
| Adj. Plan Assess (lookbacks etc) | 5,357,265 |

Admin. Prior Year Lookback

| | |
|---------------------------|-----------|
| Plan 1(Self-Insured) | 0 |
| Plan 2 and Plan 3 (New) | (292,715) |
| Plan 3 (State - Old Fund) | 0 |

Safety Assessment / Surcharge

| | |
|----------------------------------|-----------|
| Proj. Assess before adjustments | 2,353,438 |
| Assessment Rate | 1.10% |
| Adj. Plan Assess (lookbacks etc) | 2,353,438 |

Safety Prior Year Lookback

| | |
|---------------------------|---|
| Plan 1(Self-Insured) | 0 |
| Plan 2 and Plan 3 (New) | 0 |
| Plan 3 (State - Old Fund) | 0 |

ADMIN ASSESSMENT CALCULATION

Calculated Assessment

| | Amount for Assessment | % Share | Plan Assessment | 4% Assessment |
|--------------|--------------------------|---------|--------------------|------------------|
| Plan 1 | 38,375,317 | 18% | 994,852 | 1,535,013 |
| Plan 2 | 75,507,920 | 34% | 1,957,487 | 3,020,317 |
| Plan 3 - Old | 3,855,193 | 2% | 99,943 | 154,208 |
| Plan 3 - New | 100,203,335 | 46% | 2,597,698 | 4,008,133 |
| Totals | 217,941,765 | 100% | 5,649,980 | 8,717,671 |

Math Check Good Job

Assessment Calculation

| | Plan Assessment | Adjustments | Adj Plan Assessment | Assessment Rate |
|--------------|--------------------|-------------|------------------------|--------------------|
| Plan 1 | 994,852 | 0 | 994,852 | 2.5924% |
| Plan 3 - Old | 99,943 | 0 | 99,943 | 2.5924% |
| Totals | 1,094,795 | 0 | 1,094,795 | |

The rate for Plan 1 is **2.5924%** which is \leq 4% per statute.
 The rate for Plan 3-Old is **2.5924%** which is \leq 4% per statute.

Assessment Surcharge Calculation

| | Plan Assessment | Prior Year Adjustment | Adj Plan Assessment | Surcharge Rate |
|--------------|--------------------|--------------------------|------------------------|-------------------|
| Plan 2 | 1,957,487 | | | |
| Plan 3 - New | 2,597,698 | | | |
| Totals | 4,555,185 | (292,715) | 4,262,470 | 1.4749% |

The Surcharge Rate for Plan 2 & Plan 3-New is **1.4749%**
 The Plan Assessment is **2.5924%** which is \leq 4% per statute.
 The Adj Plan Assessment Rate is **2.4258%**



SAFETY ASSESSMENT CALCULATION

| Calculated Assessment | | | | |
|-----------------------|-----------------------|---------|-----------------|---------------|
| | Amount for Assessment | % Share | Plan Assessment | 2% Assessment |
| Plan 1 | 38,375,317 | 18% | 421,857 | 767,506 |
| Plan 2 | 75,507,920 | 35% | 830,053 | 1,510,158 |
| Plan 3 - New | 100,203,335 | 47% | 1,101,528 | 2,004,067 |
| Totals | 214,086,572 | 100% | 2,353,438 | 4,281,731 |

Math Check Good Job

| Assessment Calculation | | | | |
|------------------------|-----------------|-------------|---------------------|-----------------|
| | Plan Assessment | Adjustments | Adj Plan Assessment | Assessment Rate |
| Plan 1 | 421,857 | 0 | 421,857 | 1.0993% |
| Totals | 421,857 | 0 | 421,857 | |

The rate for Plan 1 is 1.0993% which is <= 2% per statute.

| Assessment Surcharge Calculation | | | | |
|----------------------------------|-----------------|-----------------------|---------------------|----------------|
| | Plan Assessment | Prior Year Adjustment | Adj Plan Assessment | Surcharge Rate |
| Plan 2 | 830,053 | | | |
| Plan 3 - New | 1,101,528 | | | |
| Totals | 1,931,581 | 0 | 1,931,581 | 0.6684% |

The Surcharge Rate for Plan 2 & Plan 3-New is 0.6684%
 The Plan Assessment is 1.0993% which is <= 2% per statute.
 The Adj Plan Assessment Rate is 1.0993%



FY 2016-FY 2018 ASSESSMENT RATES

Assessment Rate History

| FY | Admin Rate Plan 1 | Admin Rate Plan 3-0 | Safety Rate Plan 1 | SIF Assess Rate | Admin Surcharge | Safety Surcharge | SIF Surcharge | SAWRTW Surcharge |
|-------------|----------------------|------------------------|-----------------------|--------------------|--------------------|---------------------|-----------------|---------------------|
| 2009 | 0.029033 | | | 0.002542 | 0.011836 | | 0.001240 | |
| 2010 | 0.027650 | 0.027285 | | 0.002874 | 0.015281 | | 0.001734 | |
| 2011 | 0.030000 | 0.030000 | | 0.004359 | 0.019177 | | 0.002840 | |
| 2012 | 0.030000 | 0.030000 | | 0.001481 | 0.020775 | | 0.001248 | 0.00082 |
| 2013 | 0.030000 | 0.030000 | | 0.002029 | 0.018901 | | 0.000512 | |
| 2014 | 0.030000 | 0.030000 | | 0.003431 | 0.019328 | | 0.003427 | |
| 2015 | 0.030000 | 0.030000 | | 0.006061 | 0.018369 | | 0.004596 | |
| 2016 | 0.035048 | 0.035048 | | 0.003485 | 0.019775 | | 0.002084 | |
| 2017 | 0.027098 | 0.027098 | 0.011448 | 0.009895 | 0.015592 | 0.007156 | 0.006186 | |
| 2018 | 0.025924 | 0.025924 | 0.010993 | 0.005705 | 0.014749 | 0.006684 | 0.002701 | |

WORK COMP & SAFETY FUNDS BUDGET

| Work Comp & Safety Fund | FY17 Budget | FY18 Budget | FY19 Budget |
|----------------------------|--------------------|--------------------|--------------------|
| ERD Functions excl. Safety | \$5,155,363 | \$4,902,240 | \$4,911,046 |
| Workers Compensation Court | \$762,235 | \$747,740 | \$751,462 |
| Subtotal Work Comp | \$5,917,598 | \$5,649,980 | \$5,662,508 |
| Safety Functions | \$2,332,840 | \$2,241,437 | \$2,245,609 |
| R&A | \$117,896 | \$112,001 | \$112,001 |
| Subtotal Safety | \$2,450,736 | \$2,353,438 | \$2,357,610 |
| Total | \$8,368,334 | \$8,003,418 | \$8,020,118 |

- Hearings Bureau is no longer covered by the Workers Compensation fund because the work performed by the Hearings Bureau was determined to be UEF work not Workers Compensation.

SAFETY BUDGET BREAK-OUT

| State Safety Budget | FY17 Budget | FY18 Budget | FY19 Budget |
|--|--------------------|--------------------|--------------------|
| Mine Inspection & Training | \$313,870 | \$301,570 | \$302,130 |
| Outreach (Employer, Employee and Student Education & Training) | \$388,330 | \$373,115 | \$373,809 |
| Private and Public Consultation | \$432,560 | \$415,610 | \$416,385 |
| Public Employer Compliance | \$809,490 | \$777,770 | \$779,220 |
| Safety Culture | \$272,400 | \$261,730 | \$262,215 |
| Safety Fest | \$116,190 | \$111,642 | \$111,850 |
| Subtotal ERD State Safety | \$2,332,840 | \$2,241,437 | \$2,245,609 |
| R&A | \$117,896 | \$112,001 | \$112,001 |
| Total State Safety | \$2,450,736 | \$2,353,438 | \$2,357,610 |

- The Safety bureau also receives funding for Private and Public Consultation (\$452,700) and Mine Inspection & Training (\$Variable) from federal grant
- In FY 2017 R&A's portion of the budget was added to the safety assessment

WORK COMP & SAFETY FUNDS SPENDING COMPARED TO TOTAL POSSIBLE ASSESSMENT

| Work Comp Fund | FY18 Budget | % of Total Possible Assessment | Total Possible Assessment |
|----------------------------------|--------------------|--------------------------------|---------------------------|
| ERD Functions excl. Safety | \$4,902,240 | 61.57% | \$7,962,372 |
| Worker's Compensation Court | \$747,740 | 61.57% | \$1,214,502 |
| Subtotal Work Comp Budget | \$5,649,980 | 61.57% | \$9,176,874 |
| Safety Functions | \$2,241,437 | 61.57% | \$3,640,612 |
| R&A | \$112,001 | 61.57% | \$181,916 |
| Subtotal Safety Budget | \$2,353,438 | 61.57% | \$3,822,528 |
| Total Assessment Budget | \$8,003,418 | 61.57% | \$12,999,402 |

- ERD currently uses 61.57% of the total possible assessment available if ERD was to assess up to the 6% cap

ASSESSMENT MECHANISM UPDATE

SUMMARY

- Safety assessment ensures funding so the Department of Labor can implement necessary programs in an attempt to reduce the incidence rate in Montana
- Except for spikes in 2010 and 2011, WC expenditures generally follow CPI
- Assessment and Surcharge rates are affected by total benefits paid, premium earned by insurance carriers, amount of assessment collected in prior year and ERD budget
- FY 18 budget projects that ERD currently uses 61.57% of the total possible assessment available

Questions?

