

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairperson Al Lane at 9:05 a.m. on March 1, 2001 in Room 521-S of the Capitol.

All members were present except: Rep. Melany Barnes - excused
 Rep. Broderick Henderson - excused
 Rep. Rick Rehorn - excused
 Rep. Dale Swenson - excused

Committee staff present: Bob Nugent, Revisor of Statutes
 Renaë Jeffries, Revisor of Statutes
 Jerry Donaldson, Legislative Research Department
 Bev Adams, Committee Secretary

Conferees appearing before the committee: Phil Harness, Director of Workers Compensation, KDHR

Others attending: See attached list

Rep. Grant made a motion to approve the minutes of February 19 and 20 as written. Rep. Humerickhouse seconded the motion. The motion carried.

Briefing by Phil Harness, Director of Workers Compensation Division, Kansas Department of Human Resources (KDHR)

Mr. Harness appeared before the committee to give an update on compliance with the recommendations made by the Post Audit Report of the Implementation of the 1993 Changes to the Worker's Compensation Laws, dated February 1999. The three main areas that needed improvement were: 1) the collection and reporting of meaningful data about workers compensation cases, 2) upgrading their computer system, and 3) operations of the Fraud and Abuse section. They have improved their information system to collect basic data so that they can provide accurate and meaningful information to the Legislature and others for policy decisions. Work continues on upgrading their computer system. The Fraud and Abuse section has stepped up prosecution of workers compensation fraud violators. Also, enforcement of the judgment i.e. collection of fines, penalties and restitution has significantly increased.

Mr. Harness provided the committee with three reports: 1) the *Post Audit Report of February 1999, Reviewing the Implementation of the 1993 Changes to the Workers's Compensation Laws: a K-goal Audit of the Department of Human Resources*, 2) the *Kansas Division of Workers Compensation Fraud and Abuse Unit Annual Report of 2000*, and 3) the *Workers Compensation 26th Annual Report for Fiscal Year 2000*. The reports are available in the Division of Workers Compensation office at 800 SW Jackson in Topeka, Kansas. He pointed out to the committee certain sections of the reports and explained how the data was collected.

Mr. Harness finished his presentation by answering questions from the committee. (Attachment 1)

After announcements, Chairman Lane adjourned the meeting at 9:52 a.m. The next scheduled meeting will be held on Tuesday, March 6, 2001, at 9:00 a.m.

CORRECTIVE ACTION UPDATE
ON COMPUTERIZED INFORMATION
FOR WORKERS COMPENSATION DIVISION
March 1, 2001

I. Recommendations

The Division of Post Audit recommended several changes to the Division of Workers Compensation in the February 1999 report (pages 22-23). The following items pertain to the receiving, processing and using of computerized information.

1. "Proceed with the conversion of its database of accident information from the current outdated mainframe system to a modern, personal-computer-based system. The division should ensure that the new system can accept and process cost information when obtained from either a claim study or subsequent reporting.
2. Make it a high priority to get more workers compensation data submitted electronically, with the ultimate goal of receiving all data from insurance carriers electronically. To meet this goal, the division should do the following:
 - allocate sufficient resources and staff time to the project
 - replace its outdated software. The division should consult with the International Association of Accident Boards and Commissions about the proper software to purchase.
 - actively recruit insurance carriers to submit data electronically"

In the Conclusion portion of the report (page 20), Post Audit also mentioned the following: "(s)tudies of open and closed cases to identify and analyze cost trends have never been completed." Although not specifically called upon by the report recommendations, the division proceeded with conducting the requested cost studies.

II. Corrective Action for Recommendation #1

1. KDHR released a Request for Proposals (RFP) in May 2000. The RFP included a feasibility report prepared by a DISC task order vendor named CTA in early 2000. The RFP called for vendors to bid on a project to build a web-enabled client-server system for the division. The contract was awarded to Biltmore Consulting of Atlanta, Georgia in October 2000. Expected completion date is October 2001.
2. Regarding accepting and processing cost information from claims studies or subsequent reporting, the following applies. The data model developed by CTA contained all the fields possible within the national EDI standard for subsequent reporting at the time. Additional detail is contained in the next section.

III. Corrective Action for Recommendation #2

1. To make electronic data submittal a high priority, the RFP also encouraged prospective vendors to bid on installation of an Electronic Data Interchange (EDI) system, to work within the client-server system. Several bids were returned. Only

House Business, Commerce & Labor Committee
3-1-01

- those vendors certified by the International Association of Accident Boards and Commissions (IAIABC) received strong consideration. Technical documents are being prepared at present. Subject to bidder selection procedures and successful negotiations, the hope is to complete the EDI portion no later than October 2001.
2. Two staff members from the Technology & Statistics section have been sent to a number of EDI maintenance meetings of the IAIABC. The staff was assigned to dialog with other states in order to develop contacts and help mold consensus on the various EDI releases and modules. The molding of consensus is intended to make for a more logical system from our analysts' point of view. It is also intended to recognize the importance of including exceptions in the standard for Kansas' legislative and regulatory information needs, wherever such occasions may arise.
 3. As a side note, Appendix A of the Post Audit report included a list of 99 data elements. The elements represented information items on basic identification, accidents, costs and benefits, and other management data. The 99 elements were taken from the older version of the IAIABC EDI standard, Release I. The division committed itself to working with the newer version, Release II. That release was finalized last year and contains over 200 data elements.
 4. Regarding replacement of software, the most current software available will be installed in the client-server system. Windows 2000 will be the operating software and Sql-Server 2000 will be the database software. As to commercially available software for EDI, various certified vendors with high quality products submitted bids and were highly ranked.
 5. As to recruiting insurance carriers, the division has attempted to mandate the EDI reporting standard in Kansas through the Advisory Council on Workers Compensation. Although a mandate has not been successful to date, the division intends in the future to make every effort to require EDI reporting by all insurers.
 6. It should be noted that a number of the largest insurance companies asked to report through the EDI standard. The division has had to decline to accept the offers. The problem is that operating EDI in a mainframe environment requires too much staff to be feasible. A client-server system environment is much more workable.

IV. Corrective Action relative to the claims studies mentioned in the Conclusion

As to the Conclusion in the report that "(s)tudies of open and closed cases" have not taken place, the following applies.

The division requested in 1999 that a sample group of organizations each provide information on up to 200 randomly selected open and closed claims. The sample totaled 40 out of 600 potentially and represented all three types of insurers: insurance carriers, self-insured entities, and group pools.

The randomly selected cases were to have been open at least one day in the period of Calendar Year 1998 and the first quarter of 1999. The closed cases also had to contain both medical and indemnity costs. For information, a university professor of statistics

devised the methodology for the division. The survey was repeated with a new group of insurers in 2000, covering claims open at least one day in 1999. The 2001 call for data began recently.

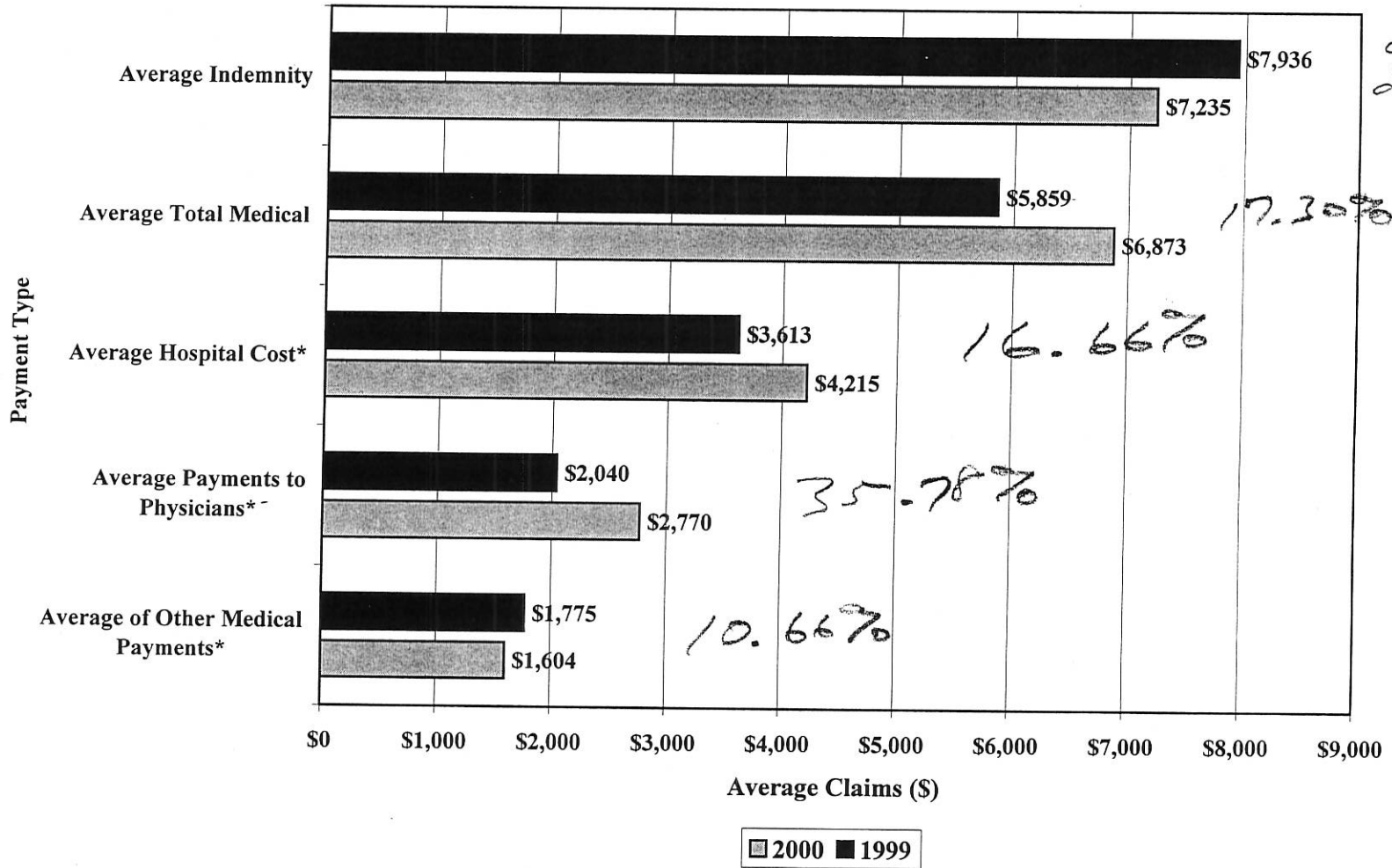
The Division of Workers Compensation added a new section to the Annual Report issued in January 2000, and to that issued in January 2001. Summary information was shown based on the data provided by the respective sample groups.

In each claims data section, the division identified average medical and indemnity costs by body part, nature of injury, scheduled and unscheduled body part, and cause. The division also included data on legal costs for claimant and insurer, vocational rehabilitation costs, percentage of impairment, time taken off from work, and time taken for first payment to be received. The report released in 2001 also contained limited data on open claims and periodic payments to providers of services.

Chart 20

1-4

Comparison of 1999 and 2000 Closed Claims Data

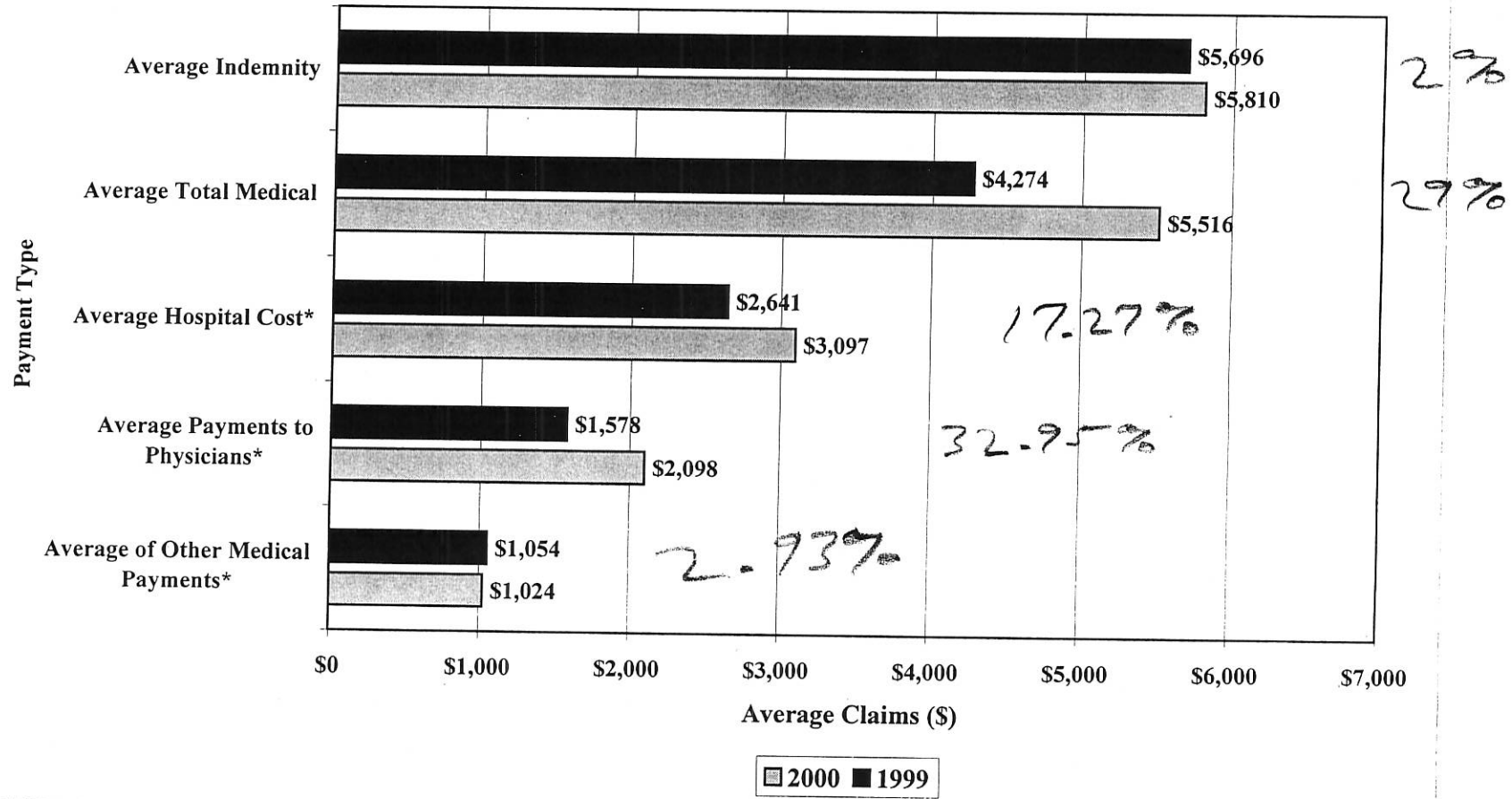


*Component of Average Total Medical

Chart 20

1-5

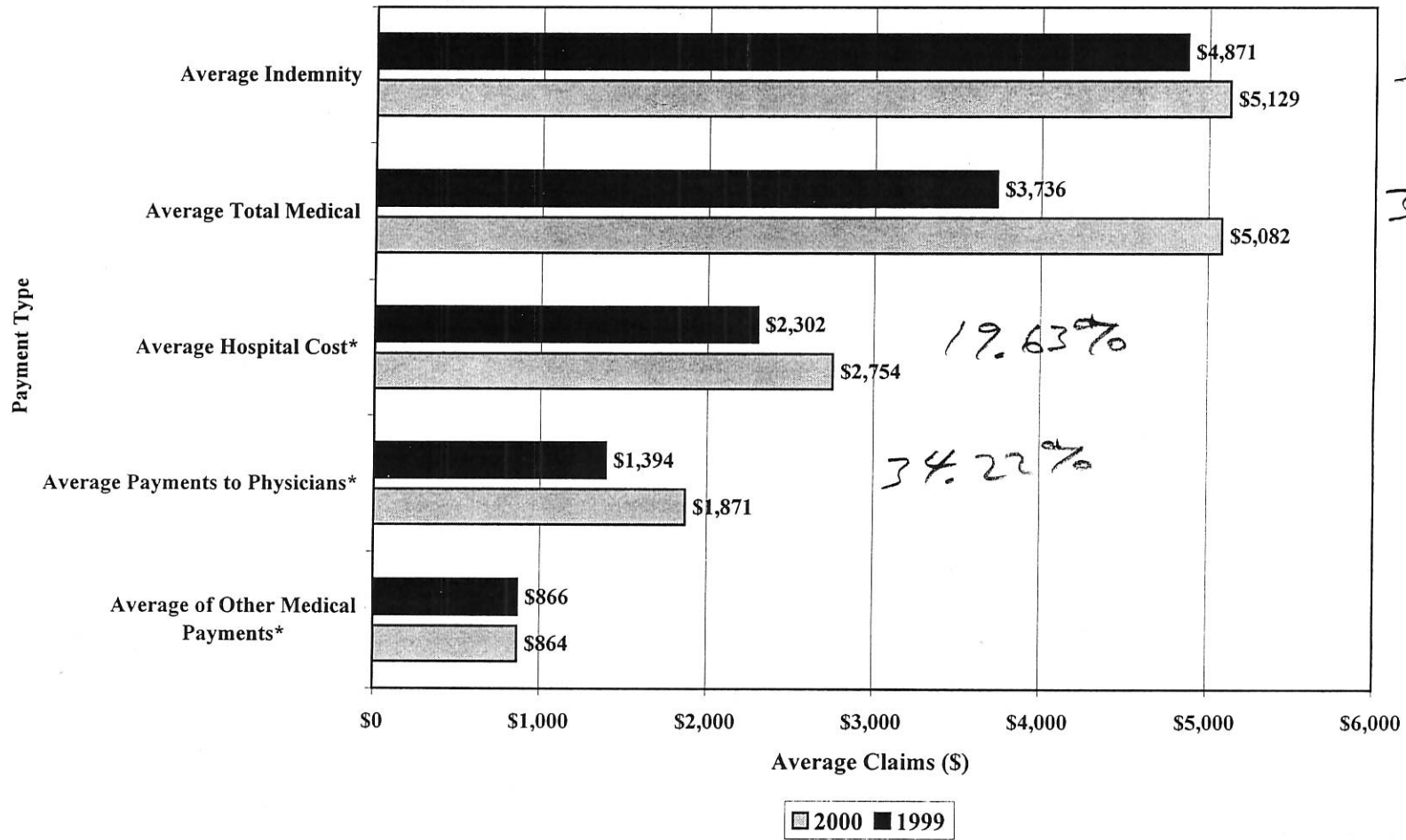
Comparison of 1999 and 2000 Closed Claims Data
10% Trimmed Mean



*Component of Average Total Medical

Chart 20

Comparison of 1999 and 2000 Closed Claims Data
20% Trimmed Mean



1-6

5.29%

36%

19.63%

34.22%

*Component of Average Total Medical

Count of Records Used, By Carrier, For The 1999 Open/Closed Claims Study

Count of Records	Carrier ID	Carrier Name	Self-Insured	Group Pools	Carriers
161	00851	State Self Insurance Fund	161		
159	89001	Builders' Association		159	
145	16586	Liberty Mutual Fire Insurance Company			145
143	10456	Hartford Underwriters Insurance Company			143
143	11657	California Compensation Insurance Company			143
137	21814	Liberty Insurance Corporation			137
133	12688	Transcontinental Insurance Company			133
121	81001	USD 259	121		
117	89012	Kansas Building Industry		117	
110	15539	Employers Mutual Casualty Company			110
101	12408	Transportation Insurance Company			101
79	10847	United States Fidelity and Guaranty Company			79
75	15555	Employers Insurance of Wausau, A Mutual Company			75
71	15628	Liberty Mutual Insurance Company			71
56	80867	Excel Corporation	56		
52	81020	Presbyterian Manors, Inc.	52		
44	81075	The Goodyear Tire & Rubber Company	44		
41	80065	Southwestern Bell Telephone Company	41		
36	80750	IBP, Inc.	36		
34	80788	Learjet, Inc.	34		
33	13889	Insurance Company of the State of Pennsylvania			33
31	10545	Maryland Casualty Company			31
25	10804	Travelers Insurance Company			25
25	16934	Grain Dealers Mutual Insurance Company			25
23	81070	City of Salina	23		
18	12297	Universal Underwriters Insurance Company			18
17	10901	Legion Insurance Company			17
16	81098	Cessna Aircraft Company	16		
11	81063	Stormont Vail Health Care, Inc.	11		
9	80563	Acme Foundry, Inc.	9		
3	11452	American Guarantee and Liability Insurance Company			3
2169			604	276	1289
		17 Carriers= 59.43% of sample	1289		
		12 Self Insured=27.85% of sample	604		
		2 Group Pools=12.72%	276		
	31		2169		

Count of Records Used, By Carrier, For The 2000 Open/Closed Claims Study

Count of Records	Carrier ID	Carrier Name	Self-Insured	Group Pools	Carriers
311	16586	Liberty Mutual Fire Insurance Company			311
201	80851	State Self Insurance Fund	201		
145	14397	Hartford Casualty Insurance Company			145
140	16446	Federated Mutual Insurance Company			140
136	10456	Hartford Underwriters Insurance Company			136
130	10804	Travelers Insurance Company			130
126	11053	Continental Western Insurance Company			126
113	12416	Firemans Fund Insurance Company			113
101	15032	Valley Forge Insurance Company			101
97	21601	Continental Western Casualty Company			97
95	80569	Dillon Companies Inc	95		
93	14974	Twin City Fire Insurance Company			93
92	12866	National Surety Corporation			92
88	80872	Swift Eckrich Inc	88		
73	21814	Liberty Insurance Corporation			73
60	10243	Continental Casualty Company			60
56	11037	Great West Casualty Insurance Company			56
52	11509	Old Republic Insurance Company			52
50	13889	Insurance Company of the State of Pennsylvania			50
43	26379	Reliance National Insurance Company			43
42	89006	Kansas Assoc of Homes for the Aging Insur Grp		42	
40	81206	Rubbermaid Incorporated	40		
37	80862	CertainTeed Corporation	37		
36	10901	Legion Insurance Company			36
33	10677	Pacific Employers Insurance Company			33
18	19518	Fairmont Insurance Company			18
17	12629	Electric Insurance Company			17
13	11061	Regent Insurance Company			13
10	10561	American Economy Insurance Company			10
5	16470	Atlantic Mutual Insurance Company			5
2	12149	Centennial Insurance Company			2
2455			461	42	1952
		25 Carriers=79.51% of sample			1952
		5 Self-Insured=18.78% of sample			461
		1 Group pools=1.71% of sample			42
	31				2455

↑
NUMBER IN SAMPLE

Percentage
of records
IN SAMPLE

1.
Total number
of records
per in sample

	1999 Study	2000 Study
Claim Duration	Mean- 436 days Median -321	Mean-382 days Median-283
Age	Mean-39.68 years Median-38.74	Mean-39.43 years Median-38.68
Medical Recovery (date of max. med improvement minus date of disability)	Mean-206 days Median-126 days	Mean-207.4 days Median-126 days
Pre-Injury Weekly Wage	Mean-\$462.4 Mean-\$423	Mean-\$459.44 Median-\$390
Time off Work (Return to work minus date of disability)	Mean-101 days Median-29 days	Mean-90 days Median-42 days

Note: The greater the distance between the mean and median the more skewed the data in the sample. All of the above, with the exception of age, are positively skewed (inflated upward).