

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairman Donald Dahl at 9:00 a.m. on March 12, 2003 in Room 243-N of the Capitol.

All members were present except: Representative Rob Boyer, Excused  
Representative Broderick Henderson, Excused  
Representative Rick Rehorn, Excused  
Representative Stephanie Sharp, Excused  
Representative Dale Swenson, Excused

Committee staff present: Jerry Ann Donaldson, Kansas Legislative Research Department  
Norman Furse, Revisor of Statutes  
Rena Jefferies, Revisor of Statutes  
June Evans, Secretary

Conferees appearing before the committee: Brad Smoot, Legislative Counsel, The American Insurance Association  
Terry Leatherman, Vice President of Legislative Affairs, Kansas Chamber of Commerce and Industry  
Philip S. Harness, Acting Director of Workers Compensation, Kansas Department of Human Resources

Others attending: See attached sheet

The Chairman called the meeting to order at 9:00 a.m. and announced that there would be no meetings on March 13<sup>th</sup> or 14<sup>th</sup>.

The Chairman opened the hearing on **SB 133 - Removing open claim reporting requirement from workers compensation act.**

Staff gave a briefing on **SB 133** stating there were four changes in the bill.

Brad Smoot, Legislative Counsel, The American Insurance Association, testified as a proponent to **SB 133**. This bill reduces the burdens of insurers, self-insureds and group funded pools to report claims data. Previous law required such payers to collect and submit open as well as closed claims, even though open files are of little value to the state in analyzing claim trends (Attachment 1).

Terry Leatherman, Vice President of Legislative Affairs, Kansas Chamber of Commerce and Industry, a proponent, testified on **SB 133**. In the decade this statute has been in existence, it could be questioned whether the information gathered by the effort has justified the cost and regulatory compliance requirements placed on Kansas business (Attachment 2).

Philip S. Harness, Acting Director of Workers Compensation, was neutral to **SB 133**, stating it is both more desirable and affordable for both the Division of Workers Compensation and the insurers to collect and report claims cost information on a yearly basis. The Division of Workers Compensation is interested in the cost data of the closed cases and only in aggregate amounts. Removing the language regarding open claims and the mandate to collect payment data more than once a year would allow the Division to focus its resources on claims. The mandate to collect payment data more than once a year would allow the Division to focus its resources on claims at the end of their cycle. It is more efficient and more valid, from a statistical point of view, to use a representative sample of claims for analyzing the distribution of workers compensation costs in Kansas on an annual, rather than a weekly basis, and on claims that have been closed (Attachment 3).

The Chairman closed the hearing on **SB 133**.

After discussion, Representative Ruff moved and Representative Hill seconded to move SB 133 out of

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE at 9:00 a.m. on March 12, 2003 in Room 243-N of the Capitol.

committee favorably and place on the Consent Calendar. The motion carried.

The meeting adjourned at 9:25 a.m. The next meeting will be March 18, 2003.



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Statement of Brad Smoot  
Legislative Counsel  
The American Insurance Association  
House Commerce and Labor Committee  
Regarding 2003 Senate Bill 133  
March 12, 2003

Mr. Chairman and Members:

On behalf of the American Insurance Association (AIA), we are pleased to have the opportunity to comment on Senate Bill 133. AIA is a trade association of more than 300 companies offering property and casualty insurance in all fifty states. Our members provide home owners, auto, workers comp and general liability for hundreds of thousands of Kansas families and businesses.

We are pleased to support the passage of SB 133 which reduces the burdens of insurers, self-insureds and group funded pools to report claims data. Previous law required such payers to collect and submit open as well as closed claims, even though open files are of little value to the state in analyzing claim trends. For carriers, self-insureds and pools which are not prepared to submit via the IAIABC Release I format next January, this reduction in work load will be cost effective and greatly appreciated.

We commend the Committee and the Division of Workers Compensation for this legislation. While issues relating to the new medical claims data mechanism operated by the Department of Health & Environment remain, SB 133 is a step in the right direction.

Thank you.

Commerce &  
Labor  
3-12-03  
Atch #1

# LEGISLATIVE TESTIMONY



*The Unified Voice of Business*

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SB 133

March 12, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the House Committee on Commerce and Labor  
By Terry Leatherman, Vice President – Legislative Affairs

Mr. Chairman and members of the Committee:

My name is Terry Leatherman. I am the Vice President of Legislative Affairs for the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to present brief testimony in support of SB 133.

SB 133 amends KSA 44-557, the section of Kansas law concerning workers compensation, and specifically the information the Division of Workers Compensation compiles. The section of the law is a product of the massive reform of the Workers Compensation Act by the Legislature in 1993. At that time, a lawmaker complaint was that policy decisions were being rendered without the statistical support they desired, thus the emphasis on an information arm of the state workers compensation division.

The Division's information gathering efforts come at a cost, borne exclusively by Kansas employers. First, there is the portion of the Division's personnel and equipment employers pay for in the annual assessment paid to run the Division's operation. In addition, there is the cost to comply with information gathering requirements imposed by the state on insurance companies and employers chosen to report each year. In the decade this statute has been in existence, it can be questioned whether the information gathered by the effort has justified the cost and regulatory compliance requirements placed on Kansas business.

Thank you for the opportunity to comment on SB 133. I would be happy to answer any questions.

## **About the Kansas Chamber of Commerce and Industry**

The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Commerce &  
Labor  
3-12-03  
Atch #2

**Testimony Before the House Commerce & Labor Committee  
on Senate Bill 133  
by Philip S. Harness, Acting Director of Workers Compensation  
Kansas Department of Human Resources  
March 12, 2003 - 9:00 a.m. - Room 243-N**

K.S.A. 44-557a concerns the ability of the Division of Workers Compensation (Division) to “make valid statistical conclusions as to the distribution of cost of workers compensation benefits” and to report those results to the Legislature. In other words, the Division is asked to identify and analyze the important costs (i.e., indemnity, medical & vocational rehabilitation) associated with workers compensation claims. In addition, 44-557a also asks the Division to analyze the “causation of compensable disabilities in the state of Kansas.”

From a statistical point of view, you need to understand what makes for the variation in costs associated with a claim. In other words, what explanation can the Division give for the variation in costs associated with workers compensation claims? The best method to achieve this purpose, and yet still make valid statistical conclusions, is to do an annual cross-sectional study examining samples of closed claims. By removing the word “open” from 44-557a, we are not implying that we are not interested in claim costs – quite the contrary. A better measure is the accumulated change in costs over the life of the claim, which means ones that have closed out. Workers compensation claims have a natural life cycle and it is after that cycle has ended that we think it best to do statistical analyses of the distribution of costs or to make any statistical inferences about cost drivers.

Language from subsection (b), (1) through (4), which refers to collecting open claims data on payments made either daily or weekly for indemnity, medical and vocational rehabilitation services, should be removed. It is both more desirable and affordable (for both the Division and the insurers) to collect and report claims cost information on a yearly basis, as previously pointed out. We are interested in the cost data, but only after the fact (once closed) and only in aggregate amounts. Removing the language regarding open claims and the mandate to collect payment data more than once a year will allow the Division to focus its resources on claims at the end of their life cycle. In summary, it is more efficient and more valid, from a statistical point of view, to use a representative sample of claims for analyzing the distribution of workers compensation costs in Kansas on an annual, rather than a weekly, basis and on claims that have been closed.

Since vocational rehabilitation providers are not payers under the system, but rather are payees, and do not have “closed claims” to report, vocational rehabilitation providers should be removed from the reporting requirement, both for claims reporting and medical fee reporting, as well as from the penalty provisions.

Current subsection (b) dealing with medical information should be placed in a separate subsection (which is shown as new subsection (c)) as that requirement is for all medical information, not just a statistically significant sample.

Senate Bill 133, as amended by the Senate Committee, was passed by the Workers Compensation Advisory Council who recommended its passage by the Legislature.

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3-12-03  
Atch #3