

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:36 A.M. on January 26, 2007 in Room 123-S of the Capitol.

All members were present except:

Laura Kelley- excused

Committee staff present:

Amy Deckard, Kansas Legislative Research Department

Kathie Sparks, Kansas Legislative Research Department

Mike Heim, Revisor of Statutes

Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Secretary Garner, Department of Labor

Director Paula Greathouse, Division of Work Comp

Richard Thomas, Division of Work Comp

Others attending:

See attached list.

Chairperson Brownlee introduced Secretary Garner, Department of Labor. Secretary Garner presented written testimony. (Attachment 1) Secretary Garner stated his intent is to review the Department of Labor & Division of Workers Compensation Annual Statical Report 2006 Fiscal Year. (On file)

Secretary Garner stated the agency has many responsibilities. It administers the unemployment insurance program; processing claims for benefits and collecting unemployment taxes to fund the system. The agency operates the state's workers compensation system. The Department of Labor's Industrial Safety and Health division offers workplace safety consultations for private employers and oversees job safety involving public employees. The Department of Labor enforces the employment laws for Kansas, including Child Labor laws and the Wage Payment Act. The agency's Market Information service is the research unit which compiles awesome data on the workforce in Kansas. The agency also oversees the Public Employers and Employees Relations Act and the Public Negotiations Act.

Secretary Garner stated the Kansas Department of Labor developed a strategic plan to define a new vision and direction for the agency focused on two key concepts: customer-focused assisted self-service and integrated operations. Over the past two years they have embarked on numerous initiatives to advance these objectives in their strategic plan. Secretary Garner reviewed some of the initiatives.

Next, Secretary Garner reviewed the Unemployment Statistics (Attachment 2) stating they are promoting on-line filing which has increased from the previous year. He also stated that the agency is renovating a building on the old state hospital grounds to consolidate their call services operations. He made reference to the progress on the construction. (Attachment 3)

Secretary Garner stated that this past summer the U.S. Department of Labor reported a high technical overpayment rate for the Kansas unemployment program. The U.S. Department of Labor examines two types of overpayment that the U.S. Department of Labor measures: Operational or fraudulent; which is paying unemployment to those that do not meet the federal qualifications; and technical. Secretary Garner stated that they were not following all technical requirements of state law and registration for work is the problem. State law requires people to register for work in the public Workforce Center and file for unemployment at that time. The number of workforce centers has decreased and now all unemployment claims in the state are filed by telephone or online. This process is cumbersome and therefore, making it difficult to use and it has not been very successful as an option for claimants. In November 2006, a new administrative regulation requires only those unemployed workers identified as most likely to exhaust their UI benefits and in need of re-employment services to register with the public Workforce Centers. This new regulation ensures UI claimants most in need of help finding a new job will get the services they need. He stated he proposed rules and regulations which are now in place to clarify the law and conform with the practices of the U.S. Department of Labor.

## CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:36 A.M. on January 26, 2007 in Room 123-S of the Capitol.

Secretary Garner moved on to a review of the Division of Workers Compensation annual report. He referred the Committee to the 2006 Oregon Workers' Compensation Premium Rate Ranking Summary (Attachment 4) Secretary Garner stated Kansas is doing very well when compared to other states. He stated they are doing a great deal of modernization in the work comp division also. He stated insurers could report accidents electronically and the division is promoting that as well. He referred the Committee to Mediation Within The Workers Compensation System (Attachment 5) stating they had expanded the mediation program with workers compensation for an alternate dispute resolution pilot program in southeast Kansas which has been very successful.

Secretary Garner moved on to the workplace safety and health programs. He stated they would help employers, at the employers' request, identify workplace hazards and how to abate those hazards. A new program was created to promote workplace safety called the KSafe program. Secretary Garner called the Committee's attention to KSafe Award Program, (Attachment 6) and stated SHARP was another safety program and he referred the Committee to Making Kansas Workplaces Safer (Attachment 7) He stated that if any of the Committee members have employers in their districts that are interested in getting this recognition he had application forms and would get those to them.

Secretary Garner then moved to the Labor Market Information Division stating they compile statistics on the labor market in Kansas, estimates on the labor force, employment levels, unemployment rates, wages paid and projections of future occupation trends. Secretary Garner said they are also trying to improve that operation by bringing some economists on board.

Next, Secretary Garner stated that the Kansas Department of Labor oversees the Employment Standards unit which enforce the Kansas employment laws, including helping recover unpaid wages that are owed to Kansas employees. They processed 1,411 wage claims and collected a record \$1.930,000.

Secretary Garner then moved to worker misclassification and stated they had been very successful in enforcing those laws investigating over 136 employers misclassifying 1,363 workers. Unemployment taxes owed by these employers totaled more than \$171,000 in unpaid employment taxes.

Questions and answers followed. Senator Jordan referred Secretary Garner to page three (3) of his testimony asking how they determined workers most likely to exhaust their UI benefits. Secretary Garner stated there was a profiling system developed and approved by the U.S. Department of Labor, that they use to identify all claimants with benefits.

Senator Brownlee asked if every university boiler had to meet standards. It was noted that every boiler in the state had to meet the same standards.

In answer to a question, it was also noted that the Kansas Department of Labor collects unpaid wages for Kansas workers including the undocumented workers.

Upon the conclusion of the questions and answers, Secretary Garner continued with a review of the 32<sup>nd</sup> Workers Compensation Annual Statistical Report, FY 2006 Summary. (Attachment 8)

Questions and answers followed.

Secretary Garner referred the Committee to the handout Report Worker Misclassification (Attachment 9)

Chairperson Brownlee recognized Senator Jordan. Senator Jordan made a motion to accept the minutes for January 10<sup>th</sup>, January 11<sup>th</sup>, January 16<sup>th</sup>, and January 25<sup>th</sup>. Senator Reitz seconded. Motion carried.

Chairperson Brownlee adjourned the meeting at 9:30 a.m. with the next meeting scheduled for Tuesday, January 30<sup>th</sup> at 8:30 a.m. in room 123S.



**Testimony before the  
Senate Commerce Committee  
Jim Garner  
Secretary of Labor  
26 January 2007**

Chairpersons Brownlee and Jordan and Members of the Committee:

Thank you for the opportunity to appear today and provide a brief update of activities within the Kansas Department of Labor during the last several months. The agency has many responsibilities. It administers the unemployment insurance program -- processing claims for benefits and collecting unemployment taxes to fund the system. The agency operates the state's workers compensation system. Our Industrial Safety and Health division offers workplace safety consultations for private employers and oversees job safety involving public employees. We enforce the employment laws for Kansas -- including Child Labor laws and the Wage Payment Act. The agency's Labor Market Information Services is the research unit which compiles awesome data on the workforce in Kansas. The agency also oversees the Public Employers and Employees Relations Act and the Public Negotiations Act.

**KDOL Strategic Plan**

In 2005, the Kansas Department of Labor developed a strategic plan to define a new vision and direction for the agency focused on two key concepts: customer-focused assisted self-service and integrated operations. KDOL is focused on providing high quality, efficient services to our customers. Our customers are the 70,000 employers and the 1.4 million workers in Kansas. Over the past two years, KDOL has embarked on numerous initiatives to advance these objectives in our strategic plan.

**Unemployment Insurance Modernization Project**

The 2004 Legislature approved funding to rewrite our unemployment insurance system. This project is an opportunity to make our operations simpler and more competitive, a key part of our strategic plan. At more than 30 years old, the current UI computer system, which maintains information about collections from employers and payments to unemployed workers, has reached the limit of its ability to be modified to meet changing requirements. As part of this project, KDOL will redefine how we serve our customers, begin using new tools that will allow us to respond to our customers changing needs quickly and efficiently and our staff will be empowered to make more accurate, timely decisions using the latest information technology tools.

Senate Commerce Committee  
January 26, 2007

Attachment 1-1

On August 4, KDOL successfully completed the first phase of this project on time and under budget. During the first part of the project, we carefully examined our current unemployment system to learn more about its multiple processes and business uses. We created detailed explanations and diagrams for each process we have. We identified problem areas and inefficiencies, so we could develop ways to improve. From there, we worked with our vendor to develop ideas for how we could do each process differently and more efficiently. All these ideas have been combined into a Request for Proposal (RFP), asking vendors to tell us how they can help build a new system to efficiently accomplish all these processes. We also are asking vendors to assist us with communications and organizational restructuring and planning. Vendors submitted responses to the RFP on January 5, 2007, and we are currently evaluating those proposals.

KDOL employees also have begun work on a series of other tasks we can accomplish without vendor assistance. These projects will help us make improvements to our unemployment system in the immediate future.

### **Unemployment Insurance**

Wayne Maichel serves as the Director of Unemployment Insurance and Employment Security. During CY 2006, the agency processed 128,815 initial claims for unemployment benefits. The total amount of unemployment benefits paid in 2006 declined \$34 million to \$221.5 million. Included with my testimony are charts showing the number of initial claims over the past five years, the amount paid in benefits over the last five years, and the amount of contributions paid into the Trust Fund over the past five years.

The UI division continues its efforts to improve customer service and to promote online filing of unemployment insurance taxes for Kansas employers. We continue to increase the number of employers filing tax reports online. In 2006, more than 25,000 employer tax reports were filed electronically.

We currently are working to make improvements to our online tax filing system. We are developing several new features for our Web site that will make filing tax reports easier for employers. Employers will be able to send their tax reports directly from their accounting software to the KDOL Web site. Accounting firms will be able to send information for multiple employers at the same time. These new services will be available in May. We are confident the improvements in our system will increase the number of employers using our Web site.

The Unemployment Insurance Trust fund is solvent. At the end of CY 2006, the trust fund balance stood at \$604 million, up 35 percent from the 2005 year-ending balance of \$448 million. In 2006, employers contributed \$328 million to the fund. I have included a chart in your packet that shows the year-end Trust Fund balance since 1992.

The healthy Trust Fund balance is another signal of the economic progress Kansas has made in the last three years. The Trust Fund balance also signals an opportunity to provide tax relief. On December 1, 2006, Governor Sebelius requested the Employment Security Advisory Council develop recommendations on reducing unemployment tax rates. The Council met on January 4 and has submitted a recommendation to reduce tax rates for all positive balance employers. For your information, I have enclosed a list of the members of the Council. The proposed reduction in tax rates would save employers more than \$170 million during the next two years. As they examined the unemployment tax structure, the Council was careful to protect the future integrity of the Trust Fund. The ESAC endorsed proposal is found in 2007 SB 83.

Another major project underway in our agency is the consolidation of our unemployment insurance call centers. This effort began in September 2005 when KDOL purchased the Eastman building on the former Topeka State Hospital grounds. Over the past year, work has been underway to convert the Eastman building into a new call center for unemployment benefit claims. Enclosed are some photos showing progress on this project. In late spring 2007, personnel from our three existing call centers in Kansas City, Topeka and Wichita will begin moving to the new location. This consolidation will make our operations more efficient by reducing our operating costs. More important, the new technology we have implemented as part of this project will allow us to provide better service to our customers.

As you may already know, this past summer the U.S. Department of Labor reported a high technical overpayment rate for the Kansas unemployment program. The U.S. Department of Labor examines two kinds of overpayments: operational (fraudulent) and technical. Kansas has successfully focused our efforts on enforcement and detection of fraudulent overpayments – such as those who are working and claiming UI benefits or those not able to work and seeking UI benefits. We are doing quite well in these efforts. Kansas is the 16th best state in detecting fraudulent overpayments.

In addition, KDOL is currently engaged in many efforts to enhance our enforcement operations. We are implementing programs to perform a cross match of claimants to a listing of state employees as well as cross matching claimants with Vital Statistics' listing of deceased individuals. In addition, we recently received a federal grant to implement a cross match of claimants to the National Directory of New Hires. These efforts will help us detect fraudulent claimants earlier and prevent overpayments.

Unfortunately, we have experienced a high technical overpayment rate due to a state requirement that nearly all unemployment claimants register for work with a public Workforce Center. On November 3, 2006, a new administrative regulation requires only those unemployed workers identified as most likely to exhaust their UI benefits and in need of re-employment services to register with the public Workforce Centers. This new regulation ensures UI claimants most in need of help finding a new job will get the services they need. The new regulation was reviewed by the United States Department of Labor and the Joint Committee on Administrative Rules and Regulations.

The work registration requirement was written in Kansas law 70 years ago. The state has had a law in place that has not kept up with dramatic changes in the unemployment process.

Today, people file claims through the use of technology – by phone or by Internet. They do not enter public workforce centers to file claims. The process to register for work has changed. The new regulation adopted in November reflects these realities and focuses resources on those claimants most in need of assistance in finding a new job.

### **Workers Compensation**

The state of Oregon regularly publishes a study ranking workers compensation insurance premiums throughout the country. I am pleased to report that the most recent premium rankings in the 2006 Oregon Study shows Kansas ninth lowest in the country in work comp premium rates. I have enclosed a copy of the report. Rate filings for Kansas workers comp insurance premiums have significantly declined since 1993. And, Kansas's average loss cost is the lowest in our region. According to recent NCCI information, Kansas ranks as the 13<sup>th</sup> most profitable state for Workers Compensation insurance underwriters. These indicators demonstrate that the workers compensation system in Kansas is stable. In contrast, benefits paid to injured workers remain among the lowest in the nation.

Paula Greathouse is the Director of the Division of Workers Compensation. You recently received the annual statistical report from KDOL's Division of Workers Compensation. As a brief review, I would share that in FY2006 KDOL processed 66,469 reports of job related accidents and 16,185 applications for hearings. Our Fraud and Abuse unit has stepped up their efforts, collecting more than \$231,000 in fines and restitution in FY 2006. The unit collected \$139,750 in the previous fiscal year.

### *Imaging Project*

The Workers Compensation division has begun a project to create electronic images of more than 500,000 documents including accident reports, undocketed settlements and elections. The new electronic imaging system replaced the division's microfilm documents. This new system will allow KDOL staff to quickly retrieve documents. In the past, employees had to make a request for a document and wait for the processing unit to retrieve and send it. Besides greatly improving our customer service, the imaging project has reduced the costs for supplies to provide hard copy documents (paper, postage, faxing, envelopes, toner, film cartridges and duplicate cartridges). We hope to expand this project to include more documents in the near future.

### *Electronic Data Interchange*

Launched three years ago, Electronic Data Interchange (EDI) allows transmission of workers compensation claims and/or coverage information from insurers to the state. Insurance carriers, self-insured employers and group-funded insurance pools can stop sending paper forms to KDOL and send the information electronically.

Before EDI, accident reports on work-related injuries and illnesses were made on paper and stored on microfilm. EDI provides faster reporting of data, is more cost-effective for

all participants and assures more accurate data by eliminating data re-entry errors. EDI is a major step toward adopting a more efficient, paperless business environment. About one-third of all accident reports now are filed electronically.

#### *Mediation Project*

KDOL launched an alternative dispute resolution pilot program in the Workers Compensation division this year in Pittsburg and Independence. The program is designed to improve communication between the parties involved in a work comp dispute, leading to a quicker resolution for everyone involved. It also will conserve resources within our department. As part of our pilot program, a work comp judge contacts the parties involved in a dispute prior to scheduling a hearing. The judge helps the parties exchange information, often resolving issues without the need for a hearing. When a hearing is held, the parties are more prepared and the process is much more efficient. The program has been very successful. We've received positive feedback from a variety of stakeholders.

#### **Workplace safety and health programs**

Steve Zink is the Director of KDOL's Division of Industrial Safety and Health. Last year, the Division conducted 1,155 workplace safety consultations and the Boiler Safety unit conducted 3,954 inspections.

KDOL is committed to making workplace safety a priority for the State of Kansas. Workplace safety programs will help make safe jobs a reality for all Kansas workers. Safer workplaces also benefit Kansas businesses by decreasing workers compensation premiums and increasing worker productivity. I feel it is important for employers to have a variety of services available to them to prevent injuries and illnesses in the workplace.

In 2006, KDOL introduced a new safety award program, called KSafe. This program recognizes private employers across the state who are dedicated to providing safe work environments for their employees. The awards are given based on the number of hours an employer has avoided a workplace injury. We recognized two companies this year for reaching more than 1 million work hours without a lost-time accident: Orval Kent Foods in Baxter Springs and Rubbermaid in Winfield. Twenty-two other companies were recognized for achieving 500,000 and 100,000 hour safety milestones. Enclosed is a list of the companies honored last year in this new program.

This year, Kansas also recognized more businesses as part of the SHARP program. The Safety and Health Achievement Recognition Program is a partnership with OSHA designed to recognize businesses that have worked with KDOL to develop exemplary safety programs. Companies that achieve the SHARP designation are exempt from OSHA inspections for two years. In 2006, Kansas had 58 companies participating in the SHARP program. Nationwide, only three states have more SHARP sites than Kansas. A chart from OSHA depicting state SHARP sites is included with my testimony.

Our Safety and Health division has been working to modernize our safety operations as well. KDOL safety staff are scattered throughout the state and many of them work from home offices. There are numerous reports required of our safety staff.



This year, we implemented a system to standardize all reports and we placed them on a secure, stand-alone server for easy access. This report uniformity and improved data transfer has significantly improved our reporting turnaround time.

In addition to these upgrades, we also are providing some new technology for our boiler inspection unit. In the next few months, our boiler inspection staff will begin using handheld devices (PDAs) to collect and record data on boilers. This will not only increase the speed of the data collection, it will allow us to provide "real time" data to our staff in the field, improving trip planning.

### **Labor Market Information Services**

Job growth is an important component of a healthy economy. In 2006, steady growth and a declining unemployment rate characterized the state's labor market. Not only is Kansas adding jobs, but the state has had consistent growth in key sectors that create good paying, highly skilled jobs. In particular, we continue to see steady additions of manufacturing jobs. These are all positive signs as the Kansas economy continues to move in the right direction.

Our Labor Market Information Division, under the supervision of Director Dorothy Stites, operates pursuant to a cooperative agreement with the U.S. Bureau of Labor Statistics and in accordance with BLS guidelines, compiles statistics on the labor market in Kansas, estimates on the labor force, employment levels, unemployment rates, wages paid, and projections of future occupation trends.

KDOL hired a labor economist this year. Inayat Noormohmad will help us provide more research, analysis and interpretation of labor market and economic data to assist in policy decisions, business incentives and economic development. Inayat is highly qualified for this position, with a master's degree in public financial policy from the London School of Economics.

To ensure efficient use of our funding, we are moving to electronic distribution of many of our labor market publications. This includes our annual Job Vacancy Survey and the annual Wage Survey. These publications and other valuable labor market information are available on our Web site at [www.dol.ks.gov](http://www.dol.ks.gov). I encourage you to visit the website and look at these publications. I have enclosed a copy of our Job Vacancy Survey "At a Glance" brochure.

### **Employment Standards**

KDOL's Chief Counsel, A.J. Kotich, oversees the Employment Standards unit. KDOL is responsible for enforcing Kansas employment laws, including helping recover unpaid wages that are owed to Kansas employees. In 2006, the agency processed 1,411 wage claims and collected a record \$1,930,000. This includes 166 former employees of A.O. Smith Corporation's Parsons manufacturing plant who received a total of more than \$950,000 in back wages and benefits, penalty and interest. This is the largest single wage recovery since the enactment of the Kansas Wage Payment Act.

**Worker Misclassification**

In 2006, the Legislature passed HB 2772 authorizing much greater cooperation and sharing of information between the Kansas Department of Revenue and KDOL in pursuing enforcement of intentional misclassification of workers as independent contractors to avoid state withholding taxes or unemployment taxes

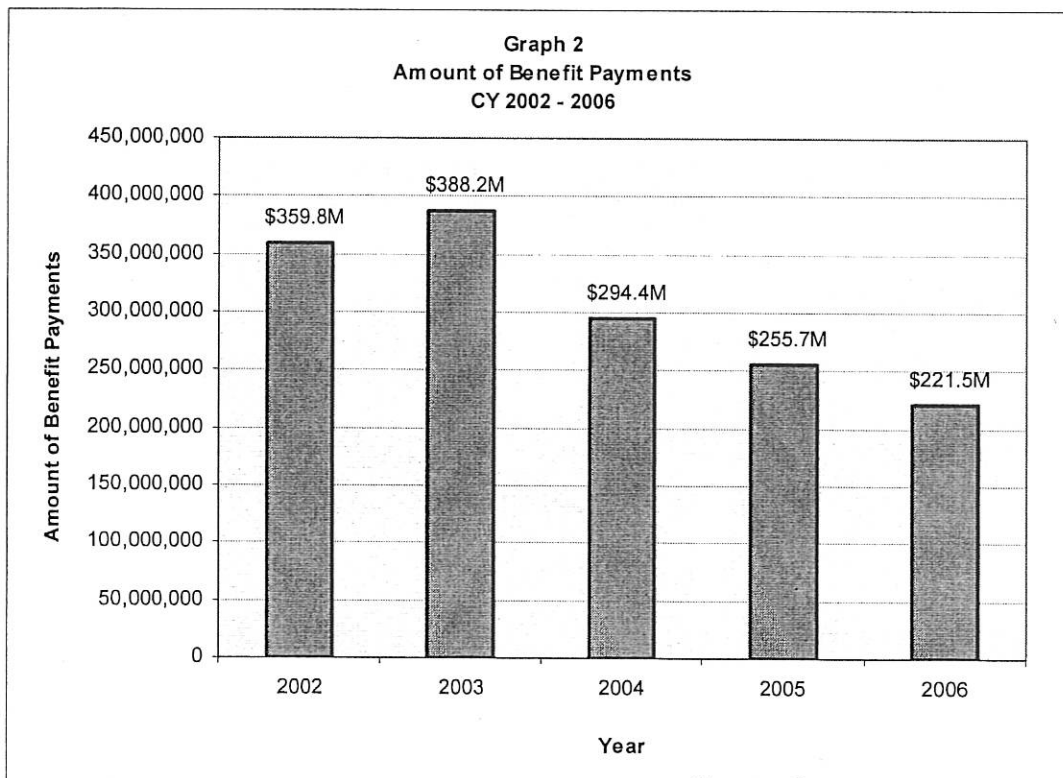
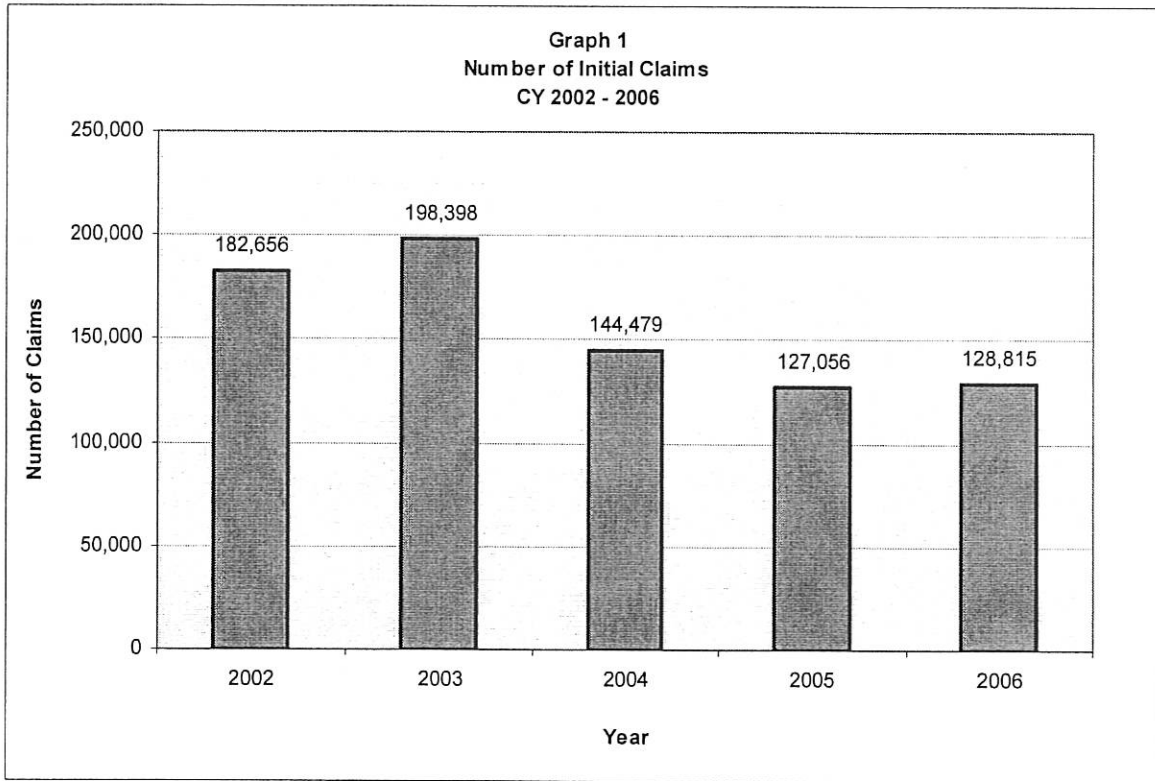
Revenue and Labor launched an education campaign last summer, which included a series of public meetings and a new Web site ([www.kdor.org/misclass](http://www.kdor.org/misclass)) with information about misclassification. Enclosed are some of the materials prepared by the agencies to educate employers and the public about this issue. Since March of 2006, KDOL identified 136 employers misclassifying 1,363 workers. Unemployment taxes owed by these employers totaled more than \$171,000.

**Conclusion**

This is a brief, yet thorough, account of some of the activities within the Kansas Department of Labor since the end of the last legislative session. I hope you find this informative and helpful.

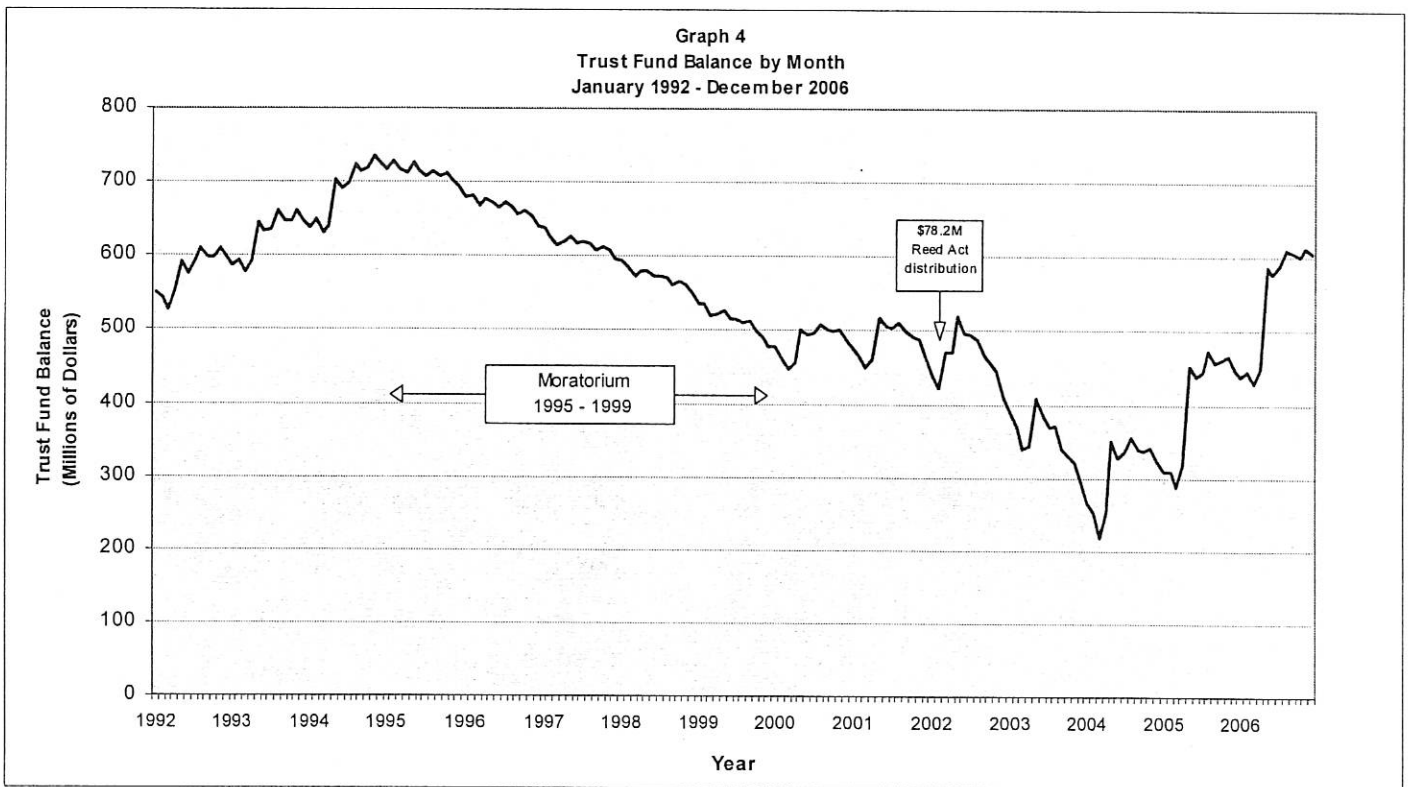
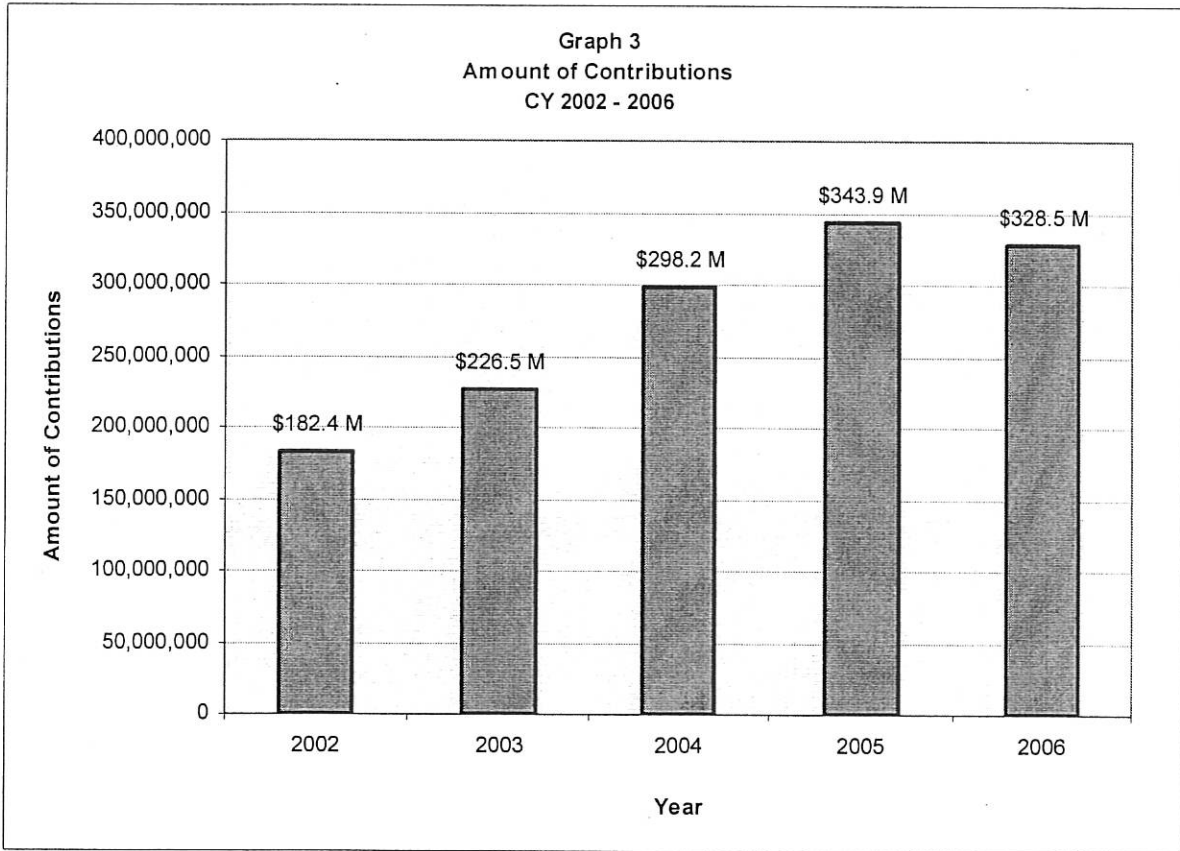
Again, Mr. Chairman, thank you for the opportunity to appear and share this information with you and the members of the committee. If you have any questions, I would be glad to respond.

## Unemployment Statistics



Senate Commerce Committee  
January 26, 2007

Attachment 2-1





November  
2006

*Above*, the main area of the Call Center where program specialists will take claimant phone calls as it appeared when studs were up, drywall ready to apply and air-handling equipment sat on the floor. This area was a kitchen and dining room space.

*At right*, the new men's and women's restrooms were being framed in. Drywall and paint now cover the metal studs. The photographer was standing in an area that will be the new breakroom.



November  
2006



*At left* is a view of the entrance area shortly after the old reception desk was removed

**KANSAS**  
DEPARTMENT OF LABOR

October  
2006

Eastman Building  
UI Call Center  
Senate Commerce Committee  
*January 26, 2007*

Attachment 3-1

Painting is nearly completed throughout the facility. *At right* painters are finishing in the entrance area.



January  
2007

*At the right* are the completed and painted walls in the main area of the Call Center.

January  
2007



*At the left* a worker attaches the hangers that will support the new suspended ceiling.

January  
2007

**KANSAS**  
DEPARTMENT OF LABOR

Eastman Building  
UI Call Center



# 2006 Oregon Workers' Compensation Premium Rate Ranking Summary

Department of Consumer & Business Services

October 2006

By Derek Reinke and Mike Manley

Oregon employers in the voluntary market pay, on average, the 42nd highest workers' compensation premium rates in the nation.

Oregon's premium rate index is \$1.97 per \$100 of payroll, or 79 percent of the national median. National premium rate indices range from a low of \$1.10 in North Dakota to a high of \$5.00 in Alaska, with a median value of \$2.48.

Two jurisdictions have an index rate above \$4; 10 are in the \$3.00-\$3.99 range; 29 are in the \$2.00-\$2.99 range; and 10 have indices under \$2.00. Indices are based on data from 51 jurisdictions, for rates in effect as of January 1, 2006.

Classification codes from the National Council on Compensation Insurance (NCCI) were used in this study.

Figure 1. 2006 Workers' compensation premium index rates

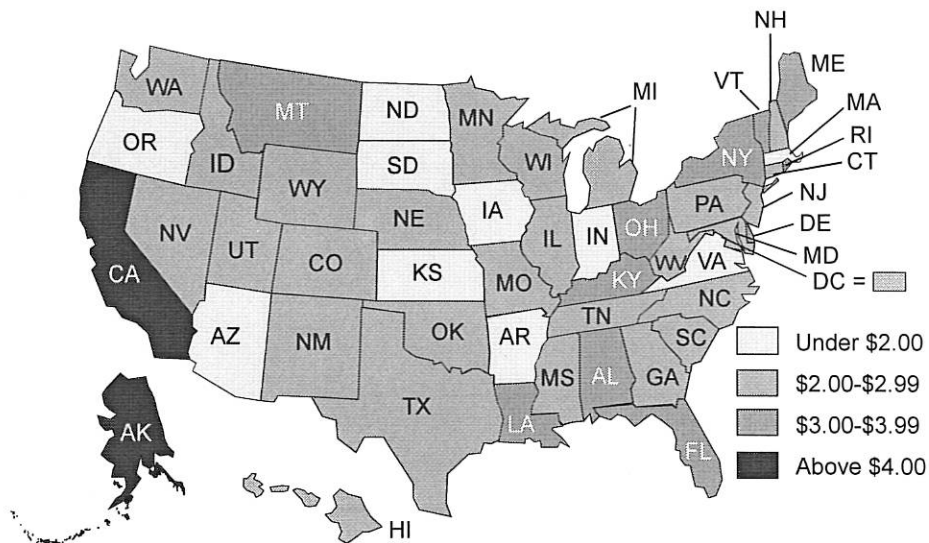


Table 1. Oregon's ranking in the top 10 classifications

Occupation	Ranking
Clerical office employees NOC	48
Salespersons - Outside	47
College: Professional employees & clerical	45
Physician and clerical	32
Restaurant NOC	39
Store: Retail, NOC	45
Hospital: Professional employees	36
Automobile service/repair center & drivers	36
Trucking: NOC - All employees & drivers	30
Electrical wiring - Within buildings & drivers	49

Of the approximately 450 active classes in Oregon, 50 were selected based on relative importance as measured by share of losses in Oregon. To control for differences in industry distributions, each state's rates were weighted by 2000-2002 Oregon payroll to obtain an average manual rate for that state. Listed in Table 1 are Oregon's rankings in the top 10 of the 50 classifications used.

Table 2 (on the back) contains the premium rate ranking for all 51 jurisdictions.

Senate Commerce Committee  
*January 26, 2007*

Attachment 4-1

**Table 2. Workers' compensation premium rate ranking**

2006 Ranking	2004 Ranking	State	Index Rate	Percent of study median	Effective Date
1	2	Alaska	5.00	201%	January 1, 2006
2	1	California	4.13	166%	January 1, 2006
3	7	Delaware	3.91	158%	December 1, 2005
4	6	Kentucky	3.78	152%	October 1, 2005
5	8	Montana	3.69	149%	July 1, 2005
6	3	Florida	3.32	134%	January 1, 2006
7	17	Vermont	3.24	130%	April 1, 2005
8	13	Maine	3.21	129%	January 1, 2006
9	19	Alabama	3.17	128%	March 1, 2005
10	18	New York	3.15	127%	October 1, 2005
11	9	Louisiana	3.10	125%	September 1, 2005
12	5	Ohio	3.00	121%	July 1, 2005
13	15	Oklahoma	2.96	119%	2/1/06 State Fund, 7/1/05 Private
14	11	Connecticut	2.90	117%	January 1, 2006
15	4	Hawaii	2.89	116%	January 1, 2006
16	10	District of Columbia	2.86	115%	November 1, 2005
17	14	Texas	2.84	114%	January 1, 2006
18	20	Pennsylvania	2.80	113%	April 1, 2005
19	12	New Hampshire	2.75	111%	January 1, 2006
20	23	Illinois	2.69	108%	January 1, 2006
21	21	Minnesota	2.69	108%	January 1, 2006
22	16	Rhode Island	2.68	108%	January 1, 2006
23	29	New Jersey	2.52	102%	January 1, 2006
24	22	Missouri	2.50	101%	January 1, 2006
25	39	South Carolina	2.50	101%	July 1, 2004
26	25	Tennessee	2.48	100%	July 1, 2005
27	27	New Mexico	2.41	97%	January 1, 2006
28	28	Wyoming	2.40	96%	January 1, 2006
29	31	Colorado	2.40	96%	January 1, 2006
30	26	Nevada	2.36	95%	January 1, 2005
31	36	Mississippi	2.29	92%	March 1, 2005
32	34	Idaho	2.29	92%	January 1, 2006
33	38	Nebraska	2.25	91%	February 1, 2005
34	24	West Virginia	2.20	88%	January 1, 2006
35	33	Wisconsin	2.18	88%	October 1, 2005
36	35	Washington	2.17	88%	January 1, 2006
37	32	North Carolina	2.17	87%	April 1, 2005
38	46	Utah	2.06	83%	December 1, 2005
39	30	Michigan	2.05	82%	January 1, 2006
40	40	Maryland	2.03	82%	January 1, 2006
41	37	Georgia	2.02	82%	July 1, 2005
<b>42</b>	<b>42</b>	<b>OREGON</b>	<b>1.97</b>	<b>79%</b>	<b>January 1, 2006</b>
43	44	Kansas	1.84	74%	January 1, 2006
44	41	South Dakota	1.83	74%	July 1, 2005
45	43	Iowa	1.75	71%	January 1, 2006
46	49	Arizona	1.73	70%	October 1, 2005
47	45	Massachusetts	1.70	68%	September 1, 2005
48	48	Arkansas	1.59	64%	July 1, 2005
49	47	Virginia	1.52	61%	November 1, 2005
50	50	Indiana	1.24	50%	January 1, 2006
51	51	North Dakota	1.10	44%	July 1, 2005

Although some states may appear to have the same index rate, the ranking is based on calculations prior to rounding to two decimal places. The index rates reflect appropriate adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends.

Employers can reduce their workers' compensation rates through accident prevention, safety training, and by helping injured workers return to work.

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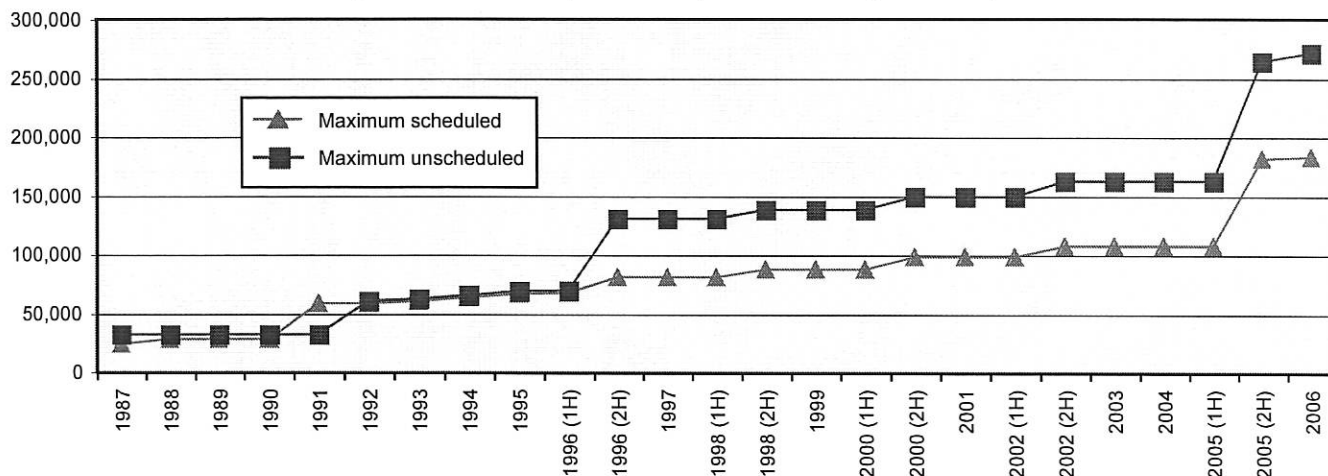
# Workers' compensation benefits: How do Oregon's restructured disability benefits rank nationally?

With the implementation of disability benefit changes in 2005, Oregon permanent partial disability (PPD) benefits changed substantially. Observers of the workers' compensation system may be interested to see how these changes have affected Oregon's position nationally in comparisons of maximum benefits. With the recent publication of national data on 2005 benefit maximums,<sup>1</sup> we can see how Oregon benefits rank nationally.

PPD benefits have been an area of frequent contention in Oregon's workers' compensation system. Claims involving PPD benefits are the most costly category of claims in most states' workers' compensation systems, including Oregon's. As a major cost driver for employers and a major source of benefits for injured workers, PPD benefits have been the subject of much controversy in reform efforts nationally. Oregon reform efforts resulted in changes affecting PPD benefit levels in the 1987, 1990, 1991, 1995, 1997, 1999, 2001, and 2003 legislative sessions (note changes in Figure 1.)

A primary rationale for PPD benefits is to replace wage income lost due to the permanent consequences of work-related injury. However, observers have very different concepts of what constitutes an adequate PPD benefit.<sup>2</sup> From a national perspective, what can be quantified to some degree is not benefit adequacy, but relative benefit generosity. Since at least 1995, the benchmark for Oregon PPD benefit generosity has been to meet or exceed national medians for maximum benefits. Since at least the early 1980s, Oregon PPD benefit maximums had been below national median benefit levels for comparable states—throughout the 1980s, near the lowest in the nation (see Table 1). This led to concerns about the overall benefit adequacy of the Oregon system. Since that time, legislative action has resulted in significant increases in maximum PPD benefit levels, and Oregon benefit maximums began to approximate national medians by the mid-1990s.

Figure 1. Maximum permanent partial disability benefits, FY 1987-2006



<sup>1</sup> US Department of Labor, Office of Workers' Compensation Programs, "State Workers' Compensation Laws, Benefit Table 9a." <http://www.dol.gov/esa/regs/statutes/owcp/stwclaw/stwclaw.htm>

<sup>2</sup> One recent approach to examining benefit adequacy has been to compare post-injury wages of injured workers with estimates of what their earnings would have been without the injuries. The benefits received are then compared with the difference in actual and expected earnings. While this approach has substantial merit, the complexity, time, and expense of such analyses has limited the use of this technique to a handful of states. The largest such study examined five states. See Robert T. Reville, Leslie I. Boden, Jeffrey E. Biddle, and Christopher Mardesich, *An Evaluation of New Mexico Workers' Compensation Permanent Partial Disability and Return to Work*, MR-1414-ICJ (Santa Monica, CA: RAND Institute for Civil Justice, 2001).

**Table 1. Oregon percentile ranking for maximum disability benefits, 1988-2005**

Year	TTD	Scheduled PPD	Unscheduled PPD	PTD
1988	68	10	6	70
1994	73	33	8	73
1996	71	48	46	75
1998	74	46	47	74
2000	74	49	46	74
2002	88	50	38	66
2004	86	43	40	64
2005	88	85	70	64

**The old Oregon PPD benefit and rating system: scheduled and unscheduled PPD benefits.**

Like most states, Oregon law prior to 2005 divided injured body parts and benefit levels for permanent partial disability into two categories, scheduled and unscheduled. For certain body parts—hands, arms, legs, sight, and hearing among them—benefits were specified or “scheduled” in the law. For all remaining body parts, known as “unscheduled” parts, benefits are determined in relation to a separate maximum for the “whole person.” The two types of PPD benefits had different benefit levels and rating criteria. Unlike most states, benefits were not adjusted with changes in statewide wage levels, and the benefit computation did not consider the wage of the worker. Finally, the benefit structure for unscheduled injuries was “tiered” in such a way that over two-thirds of cases received benefits in the lowest tier (where dollar values had not kept pace with wage inflation<sup>3</sup>), raising equity issues.

**The new Oregon PPD benefit and rating system: impairment and work disability PPD benefits.**

Senate Bill 757, enacted in 2003 and effective 1/1/2005, remedied a number of the perceived inequities in the PPD benefit system. All workers with PPD receive a benefit for impairment, while those who cannot return to regular work receive an additional benefit for work disability. The new law eliminates the distinction between scheduled and unscheduled body parts and benefits, annually adjusts benefit levels with changes in the State Average Weekly Wage, and ties work disability benefits to the worker’s wage at injury<sup>4</sup>. By using an annual adjustment mechanism, the problem of erosion of benefits by inflation is avoided.

The new benefit structure was designed to produce overall PPD benefit costs similar to the previous structure at then-existing (2003) wage levels. This was accomplished

by reallocating benefits toward those with the greatest economic losses—those unable to return to regular work, particularly for higher-wage workers. The new structure increased maximum benefits to levels substantially higher than the old law; these benefit levels had not changed since 2002. Using the current national median as a benchmark, Oregon’s percentile ranking for maximum scheduled and unscheduled benefits for comparable body parts<sup>5</sup> increased from the 43rd and 40th percentiles in 2004, to 85th and 70th in 2005 respectively (see Table 1.)

**The Benefit Level Index (BLI)**

The most basic interstate PPD comparison involves a simple listing of maximum statutory benefit levels. One criticism of this approach is that the maximum is a worst-case example, and not a good indicator of benefits to the typical worker. Unfortunately, there is a dearth of data from which comparisons of benefits for typical workers can be made; thus the approach of comparing statutory maximum benefits continues in use. Another criticism is that because state wage levels differ substantially, the same dollar amount of benefits in a high-wage state replaces a smaller share of wages than in a low-wage state.

An improvement on comparisons of PPD maximums is the benefit level index, or BLI, developed by the DCBS Research & Analysis Section. The BLI method produces a more meaningful comparison of the relative generosity of maximum PPD benefits by controlling for differences in wage levels by state, and expressing the result relative to the median state. A BLI value above 1.00 indicates a maximum benefit (with respect to that state’s average wage) that exceeds the national median. As of 1999, Oregon’s BLI values indicated that maximums were somewhat below the median: 0.94 for scheduled, 0.85 for unscheduled. For Oregon’s 2005 benefit levels, the BLI values of 1.64 (scheduled) and 1.31 (unscheduled) indicate that Oregon’s maximum benefits are now above the national median in this measure of generosity. These results are shown graphically in Figures 2 and 3.

**Conclusion**

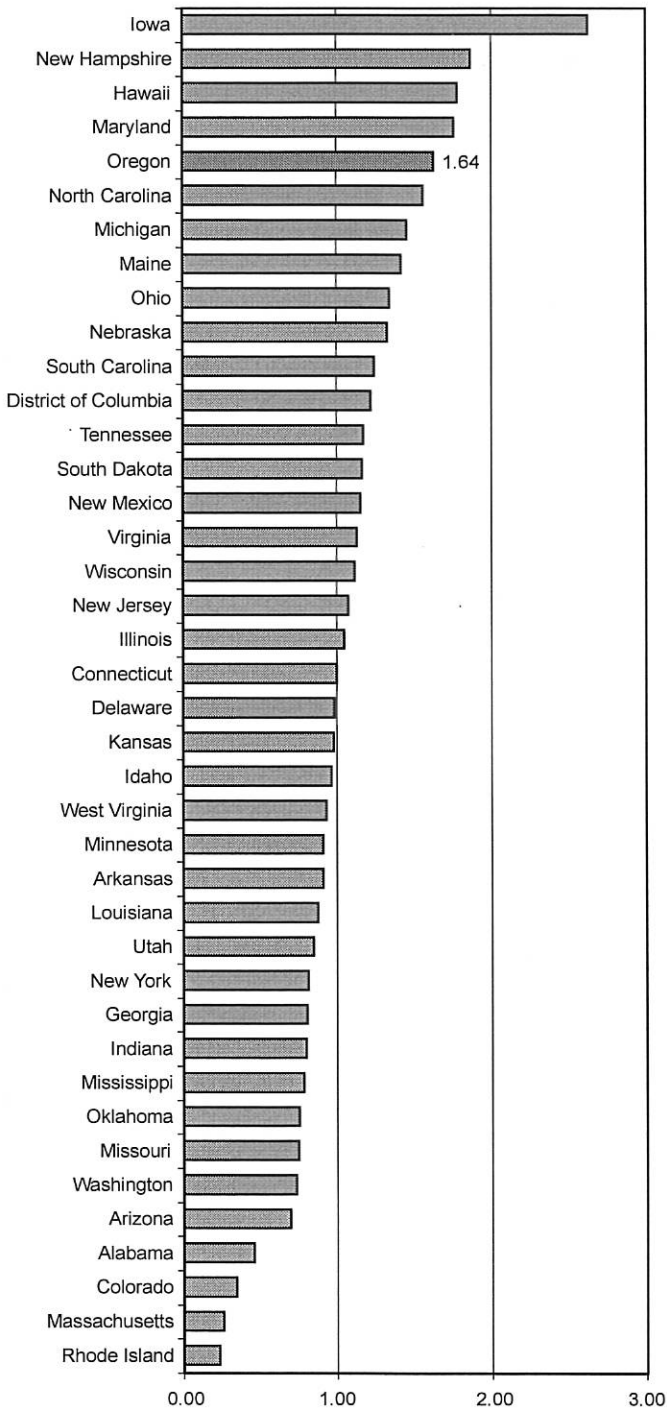
As recently as 1994, Oregon benefit maximums in at least one major category, unscheduled PPD, were in the lowest tenth of states. By 1999, maximum PPD benefit levels had been raised to just below national benefit medians. Recent benefit revisions have led to a substantial improvement in Oregon’s national standing in benefit comparisons, and Oregon now exceeds the benchmark of the national median following the 2005 changes. Because PPD benefit levels now adjust with wage changes, it is unlikely that this ranking will erode substantially over time, unlike most prior benefit changes.

<sup>3</sup> A DCBS study found that the bottom tier of Oregon unscheduled PPD benefits had declined in value relative to wages by over 25 percent from 1982 to 1999. *Oregon Permanent Partial Disability Benefits: Historical Trends and Interstate Comparisons* (Oregon DCBS, 2000).

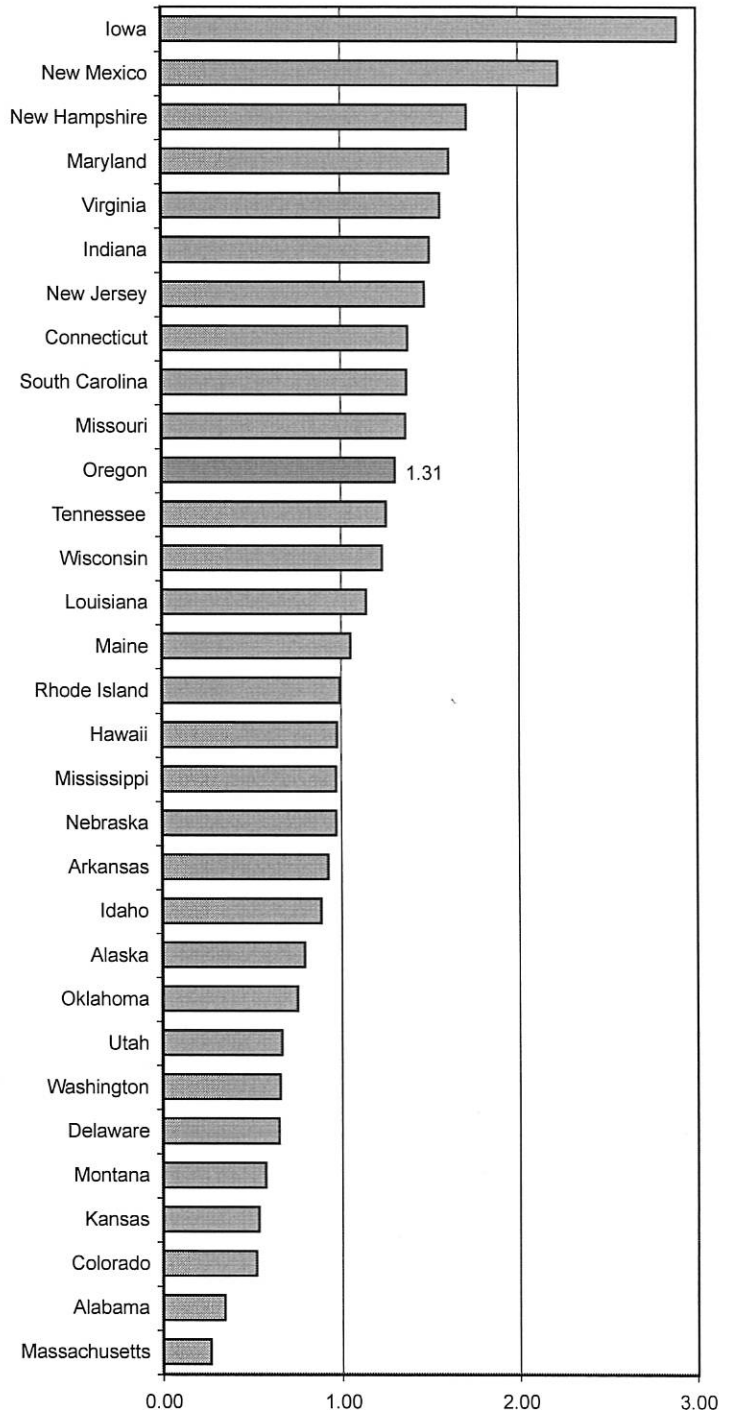
<sup>4</sup> For this computation, the worker’s wage is subject to a floor value of 50% and a ceiling of 133% of the State Average Weekly Wage.

<sup>5</sup> As a proxy for the “scheduled” maximum for 2005 in Oregon, the impairment value for complete loss of an arm was used. Impairment values for former scheduled parts such as arms were retained in the new statute as maximums, rather than set values.

**Figure 2. Benefit Level Index values for maximum scheduled PPD (loss of arm) as of 1/1/05 (national median = 1.00)**



**Figure 3. Benefit Level Index values for maximum unscheduled PPD as of 1/1/05 (national median = 1.00)**



*If you have questions about the information contained in this document, please contact by e-mail or phone: Mike Manley, Research Coordinator, (503) 947-7328, Research & Analysis Section, Information Management Division.*

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## History

Mediation within the workers compensation system was legislatively created in 1996 (K.S.A. 44-5,117) and can be utilized at any point during the workers compensation process. Initially, the mediation process required that all parties participate in person. Due to the burden created by this requirement, K.S.A. 44-5,117 was amended in 1998 to allow mediation by video conferencing. Mediation is not mandatory or a prerequisite to a hearing. In fact, mediation can be utilized at any point during the workers compensation process. Furthermore, the issues that can be mediated are not restricted to medical or temporary total disability benefits.

## What is mediation?

Mediation is a means of resolving disputes in an informal and non-adversarial atmosphere. The parties to a dispute use a neutral third party to facilitate discussion. The mediator's job is to assist the parties in identifying the issues in dispute and establishing common goals. The mediator has no decision-making authority or interest in the outcome of the dispute. The key to mediation is self-determination or allowing the parties to work through their dispute and create their own agreements.



## Mediation Within The Workers Compensation System

## Who are the mediators?

The mediators are employees of the Division of Workers Compensation who have received special training in the mediation process. The mediators used by the Division of Workers Compensation meet or exceed the requirements established by Kansas law and the Kansas Supreme Court. Mediators receive training in conflict resolution techniques, neutrality, agreement writing, ethics, role playing, communication skills, case evaluation and the laws governing mediation.

## How does mediation work?

Mediation works only if the parties are willing to participate and discuss the issues in good faith. Without full participation and good faith intentions by the parties, success through the mediation process is limited.

The mediation conference begins with the parties in a joint session. The parties are introduced and the rules of mediation are explained. Workers Compensation Mediation Conferences are conducted pursuant to the Dispute Resolution Act, K.S.A. 5-501, and amendments thereto. To begin the mediation conference, the mediator gives one party the opportunity to speak without any interruptions. Thereafter, the other party is shown the same courtesy.

Upon completion of this initial phase, the parties, with the assistance of the mediator, will begin identifying issues and exploring all possible options to resolve their dispute. At times, the parties may be separated by the mediator or by the request of either party to discuss their respective case. This technique is known as caucusing. Although caucusing is not used in every mediation conference, it is available to all the parties. The purpose of caucusing is to gather or share additional information which the party may be reluctant to express in front of the other party, or perhaps to discuss possible resolution options.

*1-26-2007  
Senate Commerce  
Attachment 5-1*

*January 26, 2007  
Senate Commerce Committee*

*Attachment 5-1*

## What happens if no agreement is reached?

Mediation does not promise to resolve all disputes, but it does provide a forum for sincere and meaningful discussion on the issues. If no agreement is reached, only that fact is made part of the docket file. Thus, neither of the parties is prejudiced in later hearings.

## What happens if an agreement is reached?

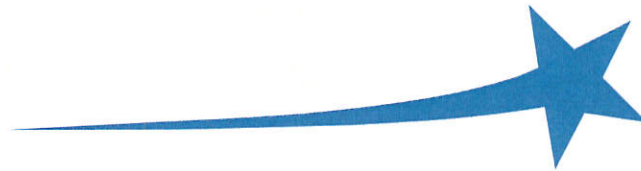
If an agreement is reached, the mediator will reduce the agreement to writing which is then signed by the parties. Thereafter, the agreement will be forwarded to an administrative law judge (ALJ) for approval. Upon approval by the ALJ, the agreement will have the same force and effect as an agreed order or award.

## How do I request mediation?

Contact the Division of Workers Compensation in writing or by phone to request a mediation conference.

## What does mediation cost?

Professional mediators charge an hourly fee that can be in excess of \$100, depending on the complexity of the dispute. **The Division of Workers Compensation promotes and encourages mediation in workers compensation cases by offering professional mediation free of charge.** With nothing to lose and much to gain, mediation is a cost effective way of resolving disputes within the workers compensation system.



**For additional information or to schedule a mediation conference, please write or call:**

Mediation Section  
Division of Workers Compensation  
Kansas Department of Labor  
800 S.W. Jackson, Suite 600  
Topeka, KS 66612-1227

Phone: **785-296-0848** or  
**1-800-332-0353**

K-WC-P 100 (Rev. 11-06)

# Mediation Within The Workers Compensation System

*Resolve your disputes in  
a non-adversarial  
atmosphere*

**KANSAS**

DEPARTMENT OF LABOR

401 S.W. Topeka Boulevard  
Topeka, KS 66603-3182

Photography by Jon Hardesty

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**KSafe Award Program  
2006 Summary**

**100,000 hr award recipients**

Ameripride Linen	Topeka, KS.
Flame Engineering	Lacrosse, KS.
Hayden Tower Service	Topeka, KS.
Johns Manville Company	McPherson, KS.
* Lowen Color Graphics	Hutchinson, KS.
Lowen Sign Company	Hutchinson, KS.
Mid America Health Care	Lincoln, KS.
Midwest Energy	Hays, KS.
Rehig Pacific Co.	Desoto, KS.
* SEM Materials (3)	Dodge City, KS.
	Salina, KS.
	El Dorado, KS.
Standard Motor Products	Edwardsville, KS.
The Hayes Company	Valley Center, KS.
Us Energy Partners LLC	Russell, KS.
* Williams Foods (2)	Lenexa, KS.

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(17) Total

**500,000 hr award recipients**

Adronics/Elrob	Hays, KS.
American Maplan	McPherson, KS.
Larksfeld Place	Wichita, KS.
Lowen Color Graphics	Hutchinson, KS.

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(4) Total

**1,000,000 hr award recipients**

Orval Kent Food Co.	Baxter Springs, KS.
Rubbermaid	Winfield, KS.
St. Francis Hospital	Topeka, KS.

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(3) Total

**A total of 24 KSafe awards were presented in 2006**

**\* Denotes either multiple awards for the same location or multiple awards for the same company, but at different locations.**

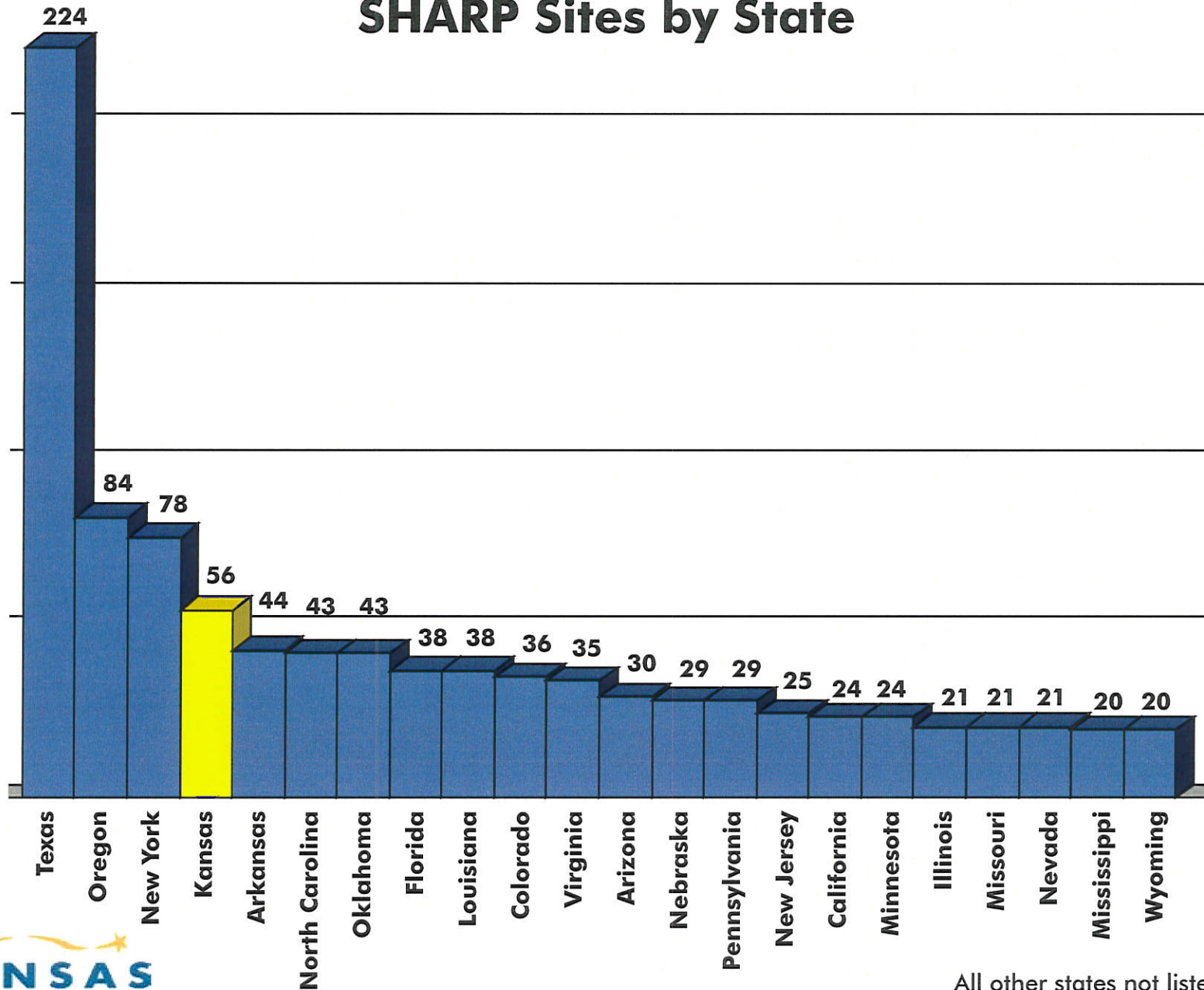
Senate Commerce Committee

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Attachment 6

# Making Kansas Workplaces Safer

## SHARP Sites by State



All other states not listed are at 14 or fewer SHARP sites.

## 32<sup>nd</sup> Workers Compensation Annual Statistical Report FY2006 Summary

### **Administrative Statistics**

*(see Section 1, pages 1-34)*

- In Fiscal Year 2006, the division processed 71,424 first reports of injury (47,155 paper and 24,269 EDI). The average weekly volume of EDI first reports of injury constituted 34 percent of the total number of accident reports filed with the division (the total includes paper and EDI reports)
- In Fiscal Year 2006, the division processed 16,185 applications for hearings and more than 6,500 employer elections. The business section issued 213 self-insurance permits to employers, including nine to new applicants. The compliance section established more than 4,400 employer contacts.
- This year, the fraud and abuse unit collected \$231,433.83 in restitution and civil penalties.
- The Ombudsman section provided information upon request to 28,332 parties during the fiscal year.
- The research section responded to more than 47,000 requests for workers compensation histories.

### **Occupational Injuries & Illnesses in Kansas**

*(see Section 2, pages 35-111)*

- There were 66,469 total occupational injuries and illnesses, including fatalities, reported in FY 2006, an increase of 2.64 percent from FY 2005.
- From another perspective, 182 employees per day were either injured or killed on the job in Kansas last fiscal year.
- Workplace fatalities decreased 12.3 percent from the previous year (to 50, from 57 reported deaths), and were less than the 12-year average of 57 reported deaths.

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Attachment 8-1



**Table 2-1**  
**Kansas Total Occupational Injuries & Illnesses by**  
**Severity FY 1995 – FY 2006**

Fiscal Year	No Time Lost Injuries & Illnesses		Time Lost Injuries & Illnesses		Fatal Injuries		Total Injuries & Illnesses
	Total No Time Lost	% of Total Injuries & Illnesses	Total Time Lost	% of Total Injuries & Illnesses	Total Fatal	% of Total Injuries & Illnesses	
FY 1995	52,473	55.49%	42,030	44.44%	67	0.07%	94,570
FY 1996	68,674	71.79%	26,929	28.15%	60	0.06%	95,663
FY 1997	73,415	75.14%	24,220	24.79%	64	0.07%	97,699
FY 1998	63,071	63.77%	35,767	36.16%	70	0.07%	98,908
FY 1999	68,995	72.07%	26,674	27.86%	61	0.06%	95,730
FY 2000	71,327	79.21%	18,653	20.71%	69	0.08%	90,049
FY 2001	64,533	75.97%	20,368	23.98%	44	0.05%	84,945
FY 2002	52,549	72.16%	20,223	27.77%	53	0.07%	72,825
FY 2003	55,101	80.87%	12,994	19.07%	42	0.06%	68,137
FY 2004	48,298	75.03%	16,032	24.90%	44	0.07%	64,374
FY 2005	36,335	56.11%	28,369	43.81%	57	0.09%	64,761
FY 2006	37,619	56.60%	28,800	43.33%	50	0.08%	66,469

Source: Kansas Division of Workers Compensation

**Occupational Injury & Illness Incidence Rate in Kansas**

(see page 39)

- For “Total Injuries and Illnesses”, the incidence per 100 full-time equivalent workers in the private and public sectors in Kansas was 5.07 in FY 2006. The total injuries and illnesses incidence rate increased 2.4 percent over last year. However, the total injury and illness incidence rate has declined by 38.1 percent over the last 12 years and by 21 percent since FY 2001.

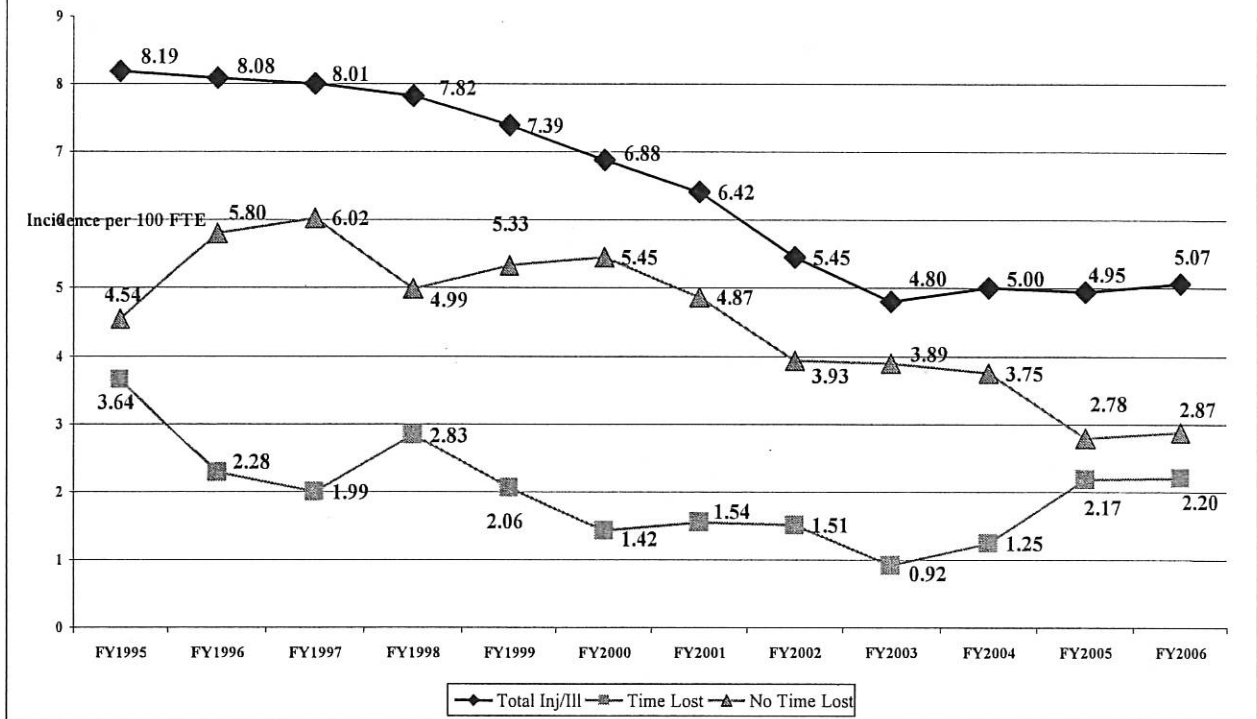
**Table 2-2**  
**Kansas Occupational Injury & Illness Incidence Rate\***  
**FY 1995 - FY 2006**

Fiscal Year	No Time Lost Injuries & Illnesses*	Time Lost Injuries & Illnesses*	Fatal Injuries*	Total Injuries & Illnesses*
FY1995	4.54	3.64	0.0058	8.19
FY1996	5.80	2.28	0.0051	8.08
FY1997	6.02	1.99	0.0052	8.01
FY1998	4.99	2.83	0.0055	7.82
FY1999	5.33	2.06	0.0047	7.39
FY2000	5.45	1.42	0.0053	6.88
FY2001	4.87	1.54	0.0033	6.42
FY2002	3.93	1.51	0.0040	5.45
FY2003	3.89	0.92	0.0030	4.80
FY2004	3.75	1.25	0.0034	5.00
FY2005	2.78	2.17	0.0044	4.95
FY2006	2.87	2.20	0.0038	5.07

\*Per 100 Full-time Equivalent Non-Federal Workers

Source: Kansas Division of Workers Compensation, Kansas Labor Market Information Services

**Figure 2-1  
Kansas Rate of Occupational Injury and Illness FY 1995-FY 2006**



**Kansas Closed Claim Study Average Cost Statistics**  
(see Section 3, pages 117-119)

- Average total indemnity costs for the 2006 CCS study were \$4,000, average total medical costs were \$6,148 and average total costs for the claim were \$11,164 in calendar year 2005.
- The indemnity percentage of the total claim costs per sample for 2004 was 49.76% while medical costs constituted, on average, 50.24% of the total costs (table 3-17, p. 178).
- The median duration of a claim was 394 days. It took an average of 20 days following an accident for an insurer to be notified; however, for half the claims, notification took place within seven days. Insurers took an average of 110 days from the date disability began to make the first payment to the claimant; however, for half the claims, first payment took place within 18 days. Median medical recovery time was 205 days and median time away from work was 28 days.

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**Table 3-17**  
**2006 Closed Claims Study**  
**Total Claims Costs\* for Calendar Years 1998-2005**

Calendar Year	Median Total Costs (Dollars)*	Percent Indemnity	Percent Medical
1998	7,396.00	52.58	47.42
1999	6,909.00	51.28	48.72
2000	7,064.00	47.88	52.12
2001	7,398.00	46.96	53.04
2002	9,147.00	52.51	47.49
2003	11,242.00	52.12	47.88
2004	9,715.00	48.04	51.96
2005	11,164.00	49.76	50.24

\*Sum of total incurred indemnity & medical costs per claim

Source: Kansas Division of Workers Compensation

- Temporary total disability (TTD) claims were the most common type of claim (1,410), and its median indemnity cost was \$2,415.50. The next two most frequent types of claims, scheduled permanent partial (335) and unscheduled permanent partial (308), had median total indemnity costs of \$6,255.00 and \$10,379.00, respectively (see Table 3-13 on page 169).

**Table 3-13**  
**2006 Closed Claims Study**  
**Indemnity Costs by Benefit Type\***

Benefit Type	Mean	Median	n
Temporary Total	\$8,555.74	\$2,415.50	1,410
Temporary Partial	\$8,577.71	\$2,109.50	52
Unscheduled Permanent Partial	\$15,999.90	\$10,379.00	308
Scheduled Permanent Partial	\$11,221.36	\$6,255.00	335
Lump Sum Settlements (Indemnity portion)	\$7,210.92	\$4,848.00	186

\*Claims that closed in 2005 with paid indemnity & medical

Source: Kansas Division of Workers Compensation

**Employer Workers Compensation Costs 1998-2003**  
*(see Section 3, pages 186-190)*

For the second year the division has calculated and published standard measures of employers costs for workers compensation statewide, adjusting for inflation over the period 1984-2004.

- In Kansas from 1984-2004, inflation-adjusted premiums as a percentage of inflation-adjusted wages, a common statistic for measuring employer cost, increased at an average annual rate of only 0.17 percent; however, over the entire period, it actually decreased by 6.67 percent.

- In contrast, Table 3-26 on page 190 also shows that in the entire United States from 1991-2004, inflation-adjusted premiums as a percentage of wages, decreased at an average annual rate of 0.32 percent, for a 6.22 percent decline over the entire period (note: data for U.S. only available from 1991-2004). Please also note that premiums, as a percentage of wages, are still significantly higher nationally than in Kansas.

### Employer Workers Compensation Costs Kansas 1984-2004

	Premiums as % of Inflation Adjusted Total Wages	Average Annual Increase 1984-2004	Total Increase 1984-2004*
Premiums as a Percent of Total Kansas Wages		0.17%	-6.67%
1984	0.90%		
1985	1.05%		
1986	1.17%		
1987	1.23%		
1988	1.35%		
1989	1.30%		
1990	1.36%		
1991	1.50%		
1992	1.52%		
1993	1.47%		
1994	1.20%		
1995	1.16%		
1996	0.96%		
1997	0.82%		
1998	0.76%		
1999	0.69%		
2000	0.64%		
2001	0.68%		
2002	0.77%		
2003	0.80%		
2004	0.84%		

\*Negative percentage indicates a decrease

Source: Kansas Division of Workers Compensation

**Table 3-26**  
**Employer Workers Compensation Costs**  
**United States 1991-2004\***

	Premiums as % of Inflation Adjusted Total Wages	Average Annual Increase 1991- 2004**	Total Increase 1991-2004**
Premiums as a Percent of Total U.S. Wages		-0.32%	-6.22%
1991	2.41%		
1992	2.52%		
1993	2.66%		
1994	2.67%		
1995	2.60%		
1996	2.52%		
1997	2.44%		
1998	2.17%		
1999	2.11%		
2000	1.90%		
2001	1.87%		
2002	1.93%		
2003	2.09%		
2004	2.26%		

\* U.S. data only available from 1991 and later

\*\* Negative percentage indicates a decrease

Source: John F. Burton Jr., *Workers' Compensation Costs for Employers 1986 to 2005* (Workers' Compensation Policy Review, vol 6, issue 2, March/April 2006); pp. 3-21.

# Report Worker Misclassification

## Employee or Independent Contractor?

### What is worker misclassification?

Misclassification of workers occurs when an employer incorrectly classifies workers as **independent contractors** rather than **employees**.

Misclassification creates problems for workers. Workers incorrectly classified as independent contractors may lose access to benefits:

- Unemployment
- Workers Compensation
- Social Security
- Withholding Tax

Employers that misclassify workers may not make appropriate withholdings or tax payments for their employees.

If laid off from a job, the misclassified worker must bear the financial consequences and is usually not entitled to unemployment compensation.

If injured on the job, the misclassified worker is often not entitled to workers compensation benefits and must pay medical expenses and bear the financial burden of lost income.

There is help available now because of a new law that protects workers and taxpayers. If you believe you or someone you know has been intentionally misclassified to avoid payment of taxes, report it at **[www.kdor.org/misclass](http://www.kdor.org/misclass)**.

### How can I report worker misclassification?

You can report suspected misclassification online at

**[www.kdor.org/misclass](http://www.kdor.org/misclass)**

Senate Commerce Committee

January 26, 2007