

**THE KANSAS WORKERS'
COMPENSATION FUND
SECOND-INJURY FUND**

ADMINISTERED BY:

**SANDY PRAEGER
COMMISSIONER OF INSURANCE**

2005 FISCAL YEAR REPORT

JULY 1, 2004 - JUNE 30, 2005

2005 FISCAL YEAR ANNUAL REPORT

1. INTRODUCTION

Pursuant to K.S.A. 44-566a, the Commissioner of Insurance shall annually report to the Governor and the Legislature the receipts and expenditures from the Workers' Compensation Second-Injury Fund during the preceding fiscal year. The data, which is attached at the beginning of this report, provides a disclosure of receipts and expenditures for Fiscal Year 2005. This report corresponds with the data provided by the Division of Accounts and Reports of the State of Kansas. This information provides a comparison between Fiscal Year 2004 and Fiscal Year 2005. The tables are provided to enhance understanding of the financial affairs and operations of the Workers' Compensation Second-Injury Fund.

2. RECEIPTS FOR FISCAL YEAR 2005

Receipts during Fiscal Year 2005 to the Workers' Compensation Fund totaled \$3,527,070.69. Kansas Law (KSA 44-566(a) (b)) provided for individual annual assessments that totaled \$3,333,049.45. There were miscellaneous reimbursements totaling \$62,906.49 and fines and penalties totaling \$131,114.75. The available funding for Fiscal Year 2005 was \$9,465,096.87. The previous year carryover balance was \$5,938,026.18.

3. EXPENDITURES FOR FISCAL YEAR 2005

Fiscal Year 2005 expenditures totaled \$2,934,498.59. In addition, the Kansas Legislature transferred \$17,355.00 out of the Workers' Compensation Fund to the State General Fund pursuant to BEST reductions transfers per HB2675, Section 140. The majority of the Fund's expenses represent disability compensation, medical, and attorney fees, which totaled 89.62% of the total expenditures (see Figure II). The remaining expenses are composed of vocational rehabilitation of \$5,305.28; administrative costs specific to legislation at \$43,259.68; and other operating expenses of \$256,078.68.

In Fiscal Year 2005, disability compensation represented 37.72% of all expenditures as compared to 40.49% in Fiscal Year 2004 (see Figure II).

4. TRANSFERS-OUT TOTALING \$11.0 MILLION TO THE STATE GENERAL FUND IN FY 2002 AND FY 2003

2002 Senate Bill 363, Section 32(b) required the Director of Accounts and Reports to transfer \$7.0 million out of the Insurance Department's Workers' Compensation Fund to the State General Fund. This transfer occurred on June 30, 2002. Additionally, 2003 House Bill 2026, Section 10(a)(1) required the Director of Accounts and Reports to transfer \$4.0 million out of the Insurance Department's Workers' Compensation Fund to the State General Fund. This transfer occurred on June 30, 2003. The transfers effectively reduced balances in the Workers' Compensation Fund by \$7.0 million and \$4.0 million respectively and correspondingly reduced the carryover balance into Fiscal Year 2003 and Fiscal Year 2004.

2003 House Bill 2026, Section 10(a)(2)(3)(4)(5) require the Director of Accounts and Reports to transfer \$1.0 million per year out of the State General Fund to the Insurance Department's Workers' Compensation Fund beginning on or before June 30, 2007 and ending on or before June 30, 2010 for a total of \$4.0 million.

5. CONCLUSION

As of July 1, 2005, the Workers' Compensation Fund had a total of 3,763 active cases. This represents an increase of approximately .002% from Fiscal Year 2004. Of these active cases, 3,740 were involved in litigation and 23 cases required monthly payments to be made. The Fund will continue to require revenue for claims that occurred prior to July 1, 1994. The Fund will also require revenue for insolvent/uninsured employers and certification cases. The additional revenue will come in the form of future assessments on insurance companies and self-insurers, and miscellaneous reimbursements.

ANNUAL REPORT OF RECEIPTS AND DISBURSEMENTS

Kansas Workers' Compensation Fund for Fiscal Year 2005

Balance as of July 1, 2004	<u>\$ 5,938,026.18</u>
Assessment Receipts	3,333,049.45
Fines and Penalties	131,114.75
Miscellaneous Reimbursements	<u>62,906.49</u>
TOTAL RECEIPTS	<u>\$ 3,527,070.69</u>
Compensation Expenditures	\$ (1,106,766.70)
Medical Expenditures	(1,225,488.76)
Vocational Rehab. Work Assessment Expenditures	(5,305.28)
Attorney Fee Expenditures	(297,599.49)
Court Reporter and Deposition Fee Expenditures	(43,259.68)
Other Operating Expenses	<u>(256,078.68)</u>
TOTAL EXPENDITURES	<u>\$ (2,934,498.59)</u>
Transfer to State General Fund (SB 6 SEC. 31(c), (d), (f), & (g))	\$ (17,355.00)
Miscellaneous Legislative Sweeps to the State General Fund FY 2005 Encumbrance	<u>(1,837.50)</u>
Ending Balance, June 30, 2005	<u>\$ 6,511,405.78</u>

STATE OF KANSAS

**FIGURE I
WORKERS' COMPENSATION FUND
RECEIPT ANALYSIS**

DESCRIPTION	FY 2005	% OF TOTAL	FY 2004	% OF TOTAL
Assessment Receipts	\$ 3,333,049.45	35.21%	\$ 3,790,122.12	39.22%
Fines and Penalties	131,114.75	1.39%	68,712.80	0.71%
Miscellaneous Reimbursements	62,906.49	0.66%	113,760.70	1.18%
TOTAL RECEIPTS	\$ 3,527,070.69		\$ 3,972,595.62	
Previous Year Carryover *includes current year assessments	\$ 5,938,026.18	62.74%	\$ 5,692,099.97	58.90%
TOTAL FUNDS AVAILABLE	\$ 9,465,096.87	100.00%	\$ 9,664,695.59	100.00%

FIGURE II
WORKERS' COMPENSATION FUND
EXPENDITURE ANALYSIS

DESCRIPTION	FY 2005	% OF TOTAL	FY 2004	% OF TOTAL
Disability Compensation	\$ 1,106,766.70	37.72%	\$ 1,479,750.99	40.49%
Voc. Rehab. Work Assessments	5,305.28	0.18%	2,443.10	0.07%
Medical				
Doctors	202,364.07	6.90%	196,917.39	5.39%
Hospitals	348,717.29	11.88%	412,060.14	11.28%
Drugs	126,808.13	4.32%	127,758.24	3.50%
Misc. Medical Supplies(braces, etc.)	31,997.60	1.09%	17,705.95	0.48%
Other Services (memberships, tuitions, etc.)	11,961.94	0.41%	9,039.06	0.25%
Reimbursements to Insurance Cos. [K.S.A. 44-569(a) and K.S.A. 44-569]	503,639.73	17.16%	755,557.70	20.68%
Attorney's Fees	297,599.49	10.14%	352,152.61	9.64%
Court Costs, Depositions, Medical Reports, etc.	43,259.68	1.47%	43,302.41	1.18%
Other Operating Expenses	256,078.68	8.73%	257,570.32	7.05%
TOTAL EXPENDITURES	\$ 2,934,498.59	100.00%	\$ 3,654,257.91	100.00%

SOURCES OF FUNDING

FISCAL YEARS 2005 - 2004

<u>FY 2005</u>	<u>DESCRIPTION</u>	<u>FY 2004</u>
0.66%	1 = Miscellaneous Reimbursements	1.18%
1.39%	2 = Fines and Penalties	0.71%
35.21%	3 = Assessment Receipts	39.22%
<u>62.74%</u>	4 = Carryover Balance and Cancelled Checks	<u>58.90%</u>
100.00%		100.00%

DISBURSEMENTS OF EXPENDITURES

FISCAL YEARS 2005 - 2004

<u>FY 2005</u>	<u>DESCRIPTION</u>	<u>FY 2004</u>
1.47%	1 = Administrative Costs (Court Reporter & Deposition Fees)	1.18%
37.72%	2 = Compensation Costs	40.49%
0.18%	3 = Vocational Rehabilitation	0.07%
41.76%	4 = Medical Costs	41.57%
8.73%	5 = Other Operating Expenses	7.05%
<u>10.14%</u>	6 = Attorney Fee Expenses	<u>9.64%</u>
100.00%		100.00%