

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

ADMINISTERED BY:
SANDY PRAEGER
COMMISSIONER OF INSURANCE

2007 FISCAL YEAR REPORT

JULY 1, 2006 - JUNE 30, 2007

2007 FISCAL YEAR ANNUAL REPORT

1. INTRODUCTION

Pursuant to K.S.A. 2005 Supp. 44-566a, as amended by the Kansas Legislature in 2006 in House Bill 2560, 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 2007. 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 2006 and Fiscal Year 2007. 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 2007

Receipts during Fiscal Year 2007 to the Workers' Compensation Fund totaled \$7,424,052.44. This amount includes \$7,252,927.46 in receipts from the annual assessment. There were miscellaneous reimbursements totaling \$28,812.48 and fines and penalties totaling \$142,312.50. The available funding for Fiscal Year 2007 was \$11,557,566.19. The previous year carryover balance was \$3,133,513.75.

3. EXPENDITURES FOR FISCAL YEAR 2007

Fiscal Year 2007 expenditures totaled \$4,106,482.59. The majority of the Fund's expenses represent disability compensation, medical, and attorney fees, which totaled 92.92% of the total expenditures (see Figure II). The remaining expenses are composed of vocational rehabilitation of \$709.20; administrative costs specific to legislation at \$47,601.52; and other operating expenses of \$242,072.30.

In Fiscal Year 2007, disability compensation represented 37.38% of all expenditures as compared to 36.16% in Fiscal Year 2006 (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. The Insurance Department's Workers' Compensation Fund received the first \$1.0 million transfer from the State General Fund in June 2007.

These transfers to the State General Fund have made it necessary to assess most of each fiscal year so that there would be adequate fund balances.

5. CONCLUSION

As of July 1, 2007, the Workers' Compensation Fund had a total of 3,893 open cases. This represents an increase of approximately 1.3% from Fiscal Year 2006's 3,843. Of these open cases, 313 are in active litigation and 36 of the total open cases require monthly payments to be made to claimants. 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. Additionally, revenue into the fund should come in the form of "legislative paybacks" of monies that were swept-out of the Workers' Compensation Fund and into the State General Fund in past Legislative Sessions.

ANNUAL REPORT OF RECEIPTS AND DISBURSEMENTS

Kansas Workers' Compensation Fund for Fiscal Year 2007

Balance as of July 1, 2006	<u>\$ 3,133,513.75</u>
Assessment Receipts	7,252,927.46
Fines and Penalties	142,312.50
Miscellaneous Reimbursements	<u>28,812.48</u>
TOTAL RECEIPTS	<u>\$ 7,424,052.44</u>
Compensation Expenditures	\$ (1,534,873.20)
Medical Expenditures	(1,964,288.77)
Vocational Rehab. Work Assessment Expenditures	(709.20)
Attorney Fee Expenditures	(316,937.60)
Court Reporter and Deposition Fee Expenditures	(47,601.52)
Other Operating Expenses	<u>(242,072.30)</u>
TOTAL EXPENDITURES	<u>\$ (4,106,482.59)</u>
Operating Transfer In	\$ 1,000,000.00
Recovery From Prior Year Expenditures	\$ 3,902.94
FY 2007 Encumbrance	<u>(2,250.00)</u>
Ending Balance, June 30, 2007	<u>\$ 7,452,736.54</u>

STATE OF KANSAS

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

DESCRIPTION	FY 2007	% OF TOTAL	FY 2006	% OF TOTAL
Assessment Receipts	\$ 7,252,927.46	62.75%	\$ 1,002,540.02	12.98%
Fines and Penalties	142,312.50	1.23%	179,013.56	2.32%
Miscellaneous Reimbursements	28,812.48	0.25%	29,095.97	0.38%
Operating Transfer In	1,000,000.00	8.65%		
TOTAL RECEIPTS	\$ 8,424,052.44		\$ 1,210,649.55	
Previous Year Carryover *includes current year assessments	\$ 3,133,513.75	27.11%	\$ 6,511,405.78	84.32%
TOTAL FUNDS AVAILABLE	\$ 11,557,566.19	100.00%	\$ 7,722,055.33	100.00%

FIGURE II
WORKERS' COMPENSATION FUND
EXPENDITURE ANALYSIS

DESCRIPTION	FY 2007	% OF TOTAL	FY 2006	% OF TOTAL
Disability Compensation	\$ 1,534,873.20	37.38%	\$ 1,663,575.37	36.16%
Voc. Rehab. Work Assessments	709.20	0.02%	2,981.19	0.06%
Medical				
Doctors	342,975.91	8.35%	311,128.71	6.76%
Hospitals	638,716.96	15.55%	918,933.39	19.97%
Drugs	135,939.52	3.31%	155,110.18	3.37%
Misc. Medical Supplies(braces, etc.)	62,796.48	1.53%	35,119.05	0.76%
Other Services (memberships, tuitions, etc.)	3,012.62	0.07%	5,799.64	0.13%
Reimbursements to Insurance Cos. [K.S.A. 44-569(a) and K.S.A. 44-569]	780,847.28	19.01%	902,792.46	19.62%
Attorney's Fees	316,937.60	7.72%	301,517.71	6.55%
Court Costs, Depositions, Medical Reports, etc.	47,601.52	1.16%	45,284.24	0.98%
Other Operating Expenses	242,072.30	5.89%	258,716.64	5.62%
TOTAL EXPENDITURES	\$ 4,106,482.59	100.00%	\$ 4,600,958.58	100.00%

SOURCES OF FUNDING

FISCAL YEARS 2007 - 2006

<u>FY 2007</u>	<u>DESCRIPTION</u>	<u>FY 2006</u>
0.25%	1 = Miscellaneous Reimbursements	0.38%
1.23%	2 = Fines and Penalties	2.32%
62.75%	3 = Assessment Receipts	12.98%
27.11%	4 = Carryover Balance and Cancelled Checks	<u>84.32%</u>
<u>8.65%</u>	5 = Operating Transfer In	
100.00%		100.00%

DISBURSEMENTS OF EXPENDITURES

FISCAL YEARS 2007 - 2006

<u>FY 2007</u>	<u>DESCRIPTION</u>	<u>FY 2006</u>
1.16%	1 = Administrative Costs (Court Reporter & Deposition Fees)	0.98%
37.38%	2 = Compensation Costs	36.16%
0.02%	3 = Vocational Rehabilitation	0.06%
47.83%	4 = Medical Costs	50.62%
5.89%	5 = Other Operating Expenses	5.62%
<u>7.72%</u>	6 = Attorney Fee Expenses	<u>6.55%</u>
100.00%		100.00%