

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

ADMINISTERED BY:  
**SANDY PRAEGER**  
**COMMISSIONER OF INSURANCE**

**2006 FISCAL YEAR REPORT**

**JULY 1, 2005 - JUNE 30, 2006**

## **2006 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 2006. 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 2005 and Fiscal Year 2006. 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 2006**

Receipts during Fiscal Year 2006 to the Workers' Compensation Fund totaled \$1,210,650. This amount includes \$1,002,540 in receipts from the annual assessment. There were miscellaneous reimbursements totaling \$29,096 and fines and penalties totaling \$179,014. The available funding for Fiscal Year 2006 was \$7,722,056. The previous year carryover balance was \$6,511,406.

### **3. EXPENDITURES FOR FISCAL YEAR 2006**

Fiscal Year 2006 expenditures totaled \$4,600,959. The majority of the Fund's expenses represent disability compensation, medical, and attorney fees, which totaled 73.7% of the total expenditures (see Figure II). The remaining expenses are composed of vocational rehabilitation of \$2,981; administrative costs specific to legislation at \$45,284; and other operating expenses of \$258,717.

In Fiscal Year 2006, disability compensation represented 36.16% of all expenditures as compared to 37.72% in Fiscal Year 2005 (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.

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, 2006, the Workers' Compensation Fund had a total of 3,843 open cases. This represents an increase of approximately 2.13% from Fiscal Year 2005's 3,763. Of these open cases, 331 are in active litigation and 33 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 2006

<b>Balance as of July 1, 2005</b>	<b><u>\$ 6,511,405.78</u></b>
Assessment Receipts	1,002,540.02
Fines and Penalties	179,013.56
Miscellaneous Reimbursements	<u>29,095.97</u>
<b>TOTAL RECEIPTS</b>	<b><u>\$ 1,210,649.55</u></b>
Compensation Expenditures	\$ (1,663,575.37)
Medical Expenditures	(2,328,883.43)
Vocational Rehab. Work Assessment Expenditures	(2,981.19)
Attorney Fee Expenditures	(301,517.71)
Court Reporter and Deposition Fee Expenditures	(45,284.24)
Other Operating Expenses	<u>(258,716.64)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ (4,600,958.58)</u></b>
Operating Transfer In	\$ 10,579.50
FY 2006 Encumbrance	<u>1,837.50</u>
<b>Ending Balance, June 30, 2006</b>	<b><u>\$ 3,133,513.75</u></b>

**STATE OF KANSAS**

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

<b>DESCRIPTION</b>	<b>FY 2006</b>	<b>% OF TOTAL</b>	<b>FY 2005</b>	<b>% OF TOTAL</b>
Assessment Receipts	\$ 1,002,540.02	12.98%	\$ 3,333,049.45	35.21%
Fines and Penalties	179,013.56	2.32%	131,114.75	1.39%
Miscellaneous Reimbursements	29,095.97	0.38%	62,906.49	0.66%
<b>TOTAL RECEIPTS</b>	<b>\$ 1,210,649.55</b>		<b>\$ 3,527,070.69</b>	
Previous Year Carryover *includes current year assessments	\$ 6,511,405.78	84.32%	\$ 5,938,026.18	62.74%
<b>TOTAL FUNDS AVAILABLE</b>	<b>\$ 7,722,055.33</b>	<b>100.00%</b>	<b>\$ 9,465,096.87</b>	<b>100.00%</b>

**FIGURE II**  
**WORKERS' COMPENSATION FUND**  
**EXPENDITURE ANALYSIS**

<b>DESCRIPTION</b>	<b>FY 2006</b>	<b>% OF TOTAL</b>	<b>FY 2005</b>	<b>% OF TOTAL</b>
Disability Compensation	\$ 1,663,575.37	36.16%	\$ 1,106,766.70	37.72%
Voc. Rehab. Work Assessments	2,981.19	0.06%	5,305.28	0.18%
Medical				
Doctors	311,128.71	6.76%	202,364.07	6.90%
Hospitals	918,933.39	19.97%	348,717.29	11.88%
Drugs	155,110.18	3.37%	126,808.13	4.32%
Misc. Medical Supplies(braces, etc.)	35,119.05	0.76%	31,997.60	1.09%
Other Services (memberships, tuitions, etc.)	5,799.64	0.13%	11,961.94	0.41%
Reimbursements to Insurance Cos. [K.S.A. 44-569(a) and K.S.A. 44-569]	902,792.46	19.62%	503,639.73	17.16%
Attorney's Fees	301,517.71	6.55%	297,599.49	10.14%
Court Costs, Depositions, Medical Reports, etc.	45,284.24	0.98%	43,259.68	1.47%
Other Operating Expenses	258,716.64	5.62%	256,078.68	8.73%
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,600,958.58</b>	<b>100.00%</b>	<b>\$ 2,934,498.59</b>	<b>100.00%</b>

**SOURCES OF FUNDING**

**FISCAL YEARS 2006 - 2005**

<u>FY 2006</u>	<u>DESCRIPTION</u>	<u>FY 2005</u>
0.38%	1 = Miscellaneous Reimbursements	0.66%
2.32%	2 = Fines and Penalties	1.39%
12.98%	3 = Assessment Receipts	35.21%
<u>84.32%</u>	4 = Carryover Balance and Cancelled Checks	<u>62.74%</u>
100.00%		100.00%

**DISBURSEMENTS OF EXPENDITURES**

**FISCAL YEARS 2005 - 2006**

<u>FY 2006</u>	<u>DESCRIPTION</u>	<u>FY 2005</u>
0.98%	1 = Administrative Costs (Court Reporter & Deposition Fees)	1.47%
36.16%	2 = Compensation Costs	37.72%
0.06%	3 = Vocational Rehabilitation	0.18%
50.62%	4 = Medical Costs	41.76%
5.62%	5 = Other Operating Expenses	8.73%
<u>6.55%</u>	6 = Attorney Fee Expenses	<u>10.14%</u>
100.00%		100.00%