

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

ADMINISTERED BY:

**SANDY PRAEGER
COMMISSIONER OF INSURANCE**

2008 FISCAL YEAR REPORT

JULY 1, 2007 - JUNE 30, 2008

2008 FISCAL YEAR ANNUAL REPORT

1. INTRODUCTION

Pursuant to K.S.A. 2007 Supp. 44-566a, which was amended by the Kansas Legislature in 2006 House Bill 2560, the Commissioner of Insurance shall annually report to the Governor and the Legislature the receipts and disbursements from the workers compensation fund (also known as 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 2008. 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 2007 and Fiscal Year 2008. 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 2008

Receipts during Fiscal Year 2008 to the Workers' Compensation Fund totaled \$5,632,379.67. This amount includes \$5,259,038.44 in receipts from the annual assessment. There were miscellaneous reimbursements totaling \$124,250.09 and fines and penalties totaling \$249,091.14. The available funding for Fiscal Year 2008 was \$14,085,116.21. The amount includes money carried over from the previous fiscal year which totaled \$7,452,736.54. Included in the total funds available for FY 2008, is a \$1.0 million "payback" transfer from the State General Fund that occurred on June 30, 2008. More information about this "payback" transfer is provided under Item#4 below.

3. EXPENDITURES FOR FISCAL YEAR 2008

Fiscal Year 2008 expenditures totaled \$4,961,976.09. The majority of the Fund's expenses represent disability compensation, medical, and attorney fees, which totaled 93.03% of the total expenditures (see Figure II). The remaining expenses are composed of vocational rehabilitation of \$6,712.26; costs specific to litigation at \$59,870.36; and other operating expenses of \$279,653.91.

In Fiscal Year 2008, disability compensation represented 37.13% of all expenditures as compared to 37.38% in Fiscal Year 2007 (see Figure II).

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

Section 32(b) of 2002 Senate Bill 363, 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. These "sweeps" of the Workers' Compensation Fund severely reduced available funds. These "sweeps" have made it necessary to assess insurance companies in subsequent years to ensure that there are adequate receipts to pay claimants and the associated costs that are paid per statute.

2003 House Bill 2026, Section 10(a)(2)(3)(4)(5) required the Director of Accounts and Reports to make four annual "payback" transfers of \$1.0 million each from the State General Fund to the Insurance Department's Workers' Compensation Fund. These \$1.0 million "payback" transfers began on June 30, 2007. Another occurred on June 30, 2008. The remaining two "payback" transfers from the State General Fund to the Workers' Compensation Fund, according to the bill referenced above, are to occur on June 30, 2009 and June 30, 2010. If all transfers occur, this would result in a total payment of \$4.0 million of the \$11.0 million swept.

5. CONCLUSION

As of July 1, 2008, the Workers' Compensation Fund had a total of 3,943 open cases. This represents an increase of approximately 1.3% from Fiscal Year 2007's 3,893. Of these open cases, 324 are in active litigation and 30 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 2008

Balance as of July 1, 2007	<u>\$ 7,452,736.54</u>
Assessment Receipts	5,259,038.44
Fines and Penalties	249,091.14
Miscellaneous Reimbursements	<u>124,250.09</u>
TOTAL RECEIPTS	<u>\$ 5,632,379.67</u>
Compensation Expenditures	\$ (1,842,295.56)
Medical Expenditures	(2,420,342.32)
Vocational Rehab. Work Assessment Expenditures	(6,712.26)
Attorney Fee Expenditures	(353,101.68)
Court Reporter and Deposition Fee Expenditures	(59,870.36)
Other Operating Expenses	<u>(279,653.91)</u>
TOTAL EXPENDITURES	<u>\$ (4,961,976.09)</u>
Operating Transfer In	\$ 1,000,000.00
FY 07 Appropriation	\$ 2,250.00
Recovery From Prior Year Expenditures	\$ -
FY 2008 Encumbrance	<u>(2,606.25)</u>
Ending Balance, June 30, 2008	<u>\$ 9,122,783.87</u>

STATE OF KANSAS

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

DESCRIPTION	FY 2008	% OF TOTAL	FY 2007	% OF TOTAL
Assessment Receipts	\$ 5,259,038.44	37.34%	\$ 7,252,927.46	62.75%
Fines and Penalties	249,091.14	1.77%	142,312.50	1.23%
Miscellaneous Reimbursements	124,250.09	0.88%	28,812.48	0.25%
Operating Transfer In	1,000,000.00	7.10%	1,000,000.00	8.65%
TOTAL RECEIPTS	\$ 6,632,379.67		\$ 8,424,052.44	
Previous Year Carryover *includes current year assessments	\$ 7,452,736.54	52.91%	\$ 3,133,513.75	27.11%
TOTAL FUNDS AVAILABLE	\$ 14,085,116.21	100.00%	\$ 11,557,566.19	100.00%

FIGURE II
WORKERS' COMPENSATION FUND
EXPENDITURE ANALYSIS

DESCRIPTION	FY 2008	% OF TOTAL	FY 2007	% OF TOTAL
Disability Compensation	\$ 1,842,295.56	37.13%	\$ 1,534,873.20	37.38%
Voc. Rehab. Work Assessments	6,712.26	0.14%	709.20	0.02%
Medical				
Doctors	325,811.61	6.57%	342,975.91	8.35%
Hospitals	1,079,626.07	21.76%	638,716.96	15.55%
Drugs	132,504.61	2.67%	135,939.52	3.31%
Misc. Medical Supplies(braces, etc.)	117,169.18	2.36%	62,796.48	1.53%
Other Services (memberships, tuitions, etc.)	1,549.82	0.03%	3,012.62	0.07%
Reimbursements to Insurance Cos. [K.S.A. 44-569(a) and K.S.A. 44-569]	763,681.03	15.39%	780,847.28	19.01%
Attorney's Fees	353,101.68	7.12%	316,937.60	7.72%
Court Costs, Depositions, Medical Reports, etc.	59,870.36	1.21%	47,601.52	1.16%
Other Operating Expenses	279,653.91	5.64%	242,072.30	5.89%
TOTAL EXPENDITURES	\$ 4,961,976.09	100.00%	\$ 4,106,482.59	100.00%

SOURCES OF FUNDING

FISCAL YEARS 2008 - 2007

<u>FY 2008</u>	<u>DESCRIPTION</u>	<u>FY 2007</u>
0.88%	1 = Miscellaneous Reimbursements	0.25%
1.77%	2 = Fines and Penalties	1.23%
37.34%	3 = Assessment Receipts	62.75%
52.91%	4 = Carryover Balance and Cancelled Checks	27.11%
<u>7.10%</u>	5 = Operating Transfer In	8.65%
100.00%		100.00%

DISBURSEMENTS OF EXPENDITURES

FISCAL YEARS 2008 - 2007

<u>FY 2008</u>	<u>DESCRIPTION</u>	<u>FY 2007</u>
1.21%	1 = Administrative Costs (Court Reporter & Deposition Fees)	1.16%
37.13%	2 = Compensation Costs	37.38%
0.14%	3 = Vocational Rehabilitation	0.02%
48.78%	4 = Medical Costs	47.83%
5.64%	5 = Other Operating Expenses	5.89%
<u>7.12%</u>	6 = Attorney Fee Expenses	<u>7.72%</u>
100.00%		100.00%