

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1125

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1125

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1125

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-17-05

Tape Number	Side A	Side B	Meter #
3	xx		7.3--38.2
4		xx	26.1--50.0

Committee Clerk Signature

*Pam Dever*

Minutes:**Chair Keiser:** Let's open the hearing on HB 1125.

**Rep. Vigesaa - Dist 23:** I'm here to introduce HB 1125. This bill covers several areas. First, it makes the minimum premium to be considered part of the rate making process. Also will provide some financial incentives for employers that introduce work place injuries early. It also will address the safety discounts that are available to employers who use a risk management program, and will simplify the calculations for employers to carry an optional children's plan.

**Ann Green, WSI Staff Counsel: 9.6** Here in support of HB 1125.(SEE ATTACHED) There seems to be missing sections on the amendment. I ask for your guidance on this Mr. Chairman.

**Chair Keiser:** The only way to fix this, Ann, is to amend in sections 7 and 8 and any subsequent sections to the bill. We need an amendment to this bill.

**Rep. N.Johnson: 15.4** The claims need to be filed by midnight of the following day. What happens if their work place is not opened? Is the next day Monday, if occurrence is Friday?

**Ann:** Monday, because it means business day.

**Chair Keiser:** Does the language indicate that

**Ann:** The language indicates the day following. Midnight Central time on the day following the work place injury. That might need to be clarified.

**Rep. Kasper:** 16.9 This is effective Aug. 1, 2005 if passed. Would you then have by that date Internet access for 24 hour claims filing or a toll free 24 hour for claims?

**Ann:** I don't think at this time it is done Internet, only by phone.

**Rep. Froseth:** On section 4, the increase the employers will be accessed is \$350.00 instead of \$250.00 for filing more then 14 days. Is this an incentive to get claims filed earlier or is it an addition to the cost incurred in late filing?

**Ann:** For faster, earlier claims filing.

**Rep. Ekstrom:** On page 2, line 13 and line 16 we are removing the emergency rule making process. Why take away the emergency rule making?

**Ann:** Changes were made in either 2001 or 2003 session upping the bar on the emergency rule making process. This process requires approval of the governor. The next requirement is for eminent danger to fiscal health of the state. This process is not an effective tool any more. The bar is so high we can't use it.

**Rep. Amerman:** 19.2 With the elimination of the 5% wording, please explain.

**Ann:** Currently, our risk management programs are divided up by 5% risk management programs for employers who have greater thresholds of premiums. There is also a program for smaller employers. The purpose of taking out that 5% language is that currently we are locked into 5 statutes that base line 5%. By taking the 5% out, you permit the ability to expand safety programs.

**Chair Keiser:** I do have concerns about the 24 hours. Employers are going to be concerned about the injuries happening on Friday and they did not know and could not file until Monday.

**Ann:** Before I leave, I want it clear that my testimony was numbered wrong, but the bill is O.K.

**Chair Keiser:** Correct. No need for an amendment.

**Chuck Peterson, Bismarck, Jobbers Moving/Storage:** support HB 1125. (SEE ATTACHED)

**Michael W. Wolf - County Employers Group Manager (Assoc. of Counties):** 27.9 in support of HB 1125. (SEE ATTACHED)

**Dave McGiver, ND Chamber of Commerce :** 34.0 We support and like the bill. The 24 hour period needs to be clarified. The safety discount program has been a great program. But some people are not using it the way it was designed. The minimum rate and changing the structure on that would effect 3500, we feel should be left alone to administrative rules process.

**Chair Keiser:** We need employers to go back and educate and communicate to their employees, as the county has done, and say, if you are injured, we (employers) need to know right now so we can initiate this right now and save money. **This hearing is closed.**

**(discussion continued later in the day)**

**Chair Keiser:** Let's talk a bit about HB1125 that Rep. Vigasaa will be carrying. Not be too easy to kick out. This is the bill that had the minimum premium decided by the board, incentive for early reporting, and WSI was willing to work on clarification. Was that handed out? There were several amendments. They have been handed out. This has the creation of continuing appropriation, which means that, eventually, the correct action of the committee will be a do pass and refer to approps. This bill also removes the 5% discount rate. I want to compliment WSI on this bill. As an employer, I have been so frustrated with the 5%. This had no correlation with

how workforce safety was. I would like to get more than 5% back if I am much safer than the next employer. I support looking at discounting for frequency, etc. to get discounts. The \$250 co-pay is a frustration to me because we report accidents immediately.

**Rep. Froseth:** In section 1, the proposed change *permits the board to approve the minimum premium as they do all of the rates. Now, WSI determines the minimum premium and the board has no say?* Need clarification.

**Chair Keiser:** The minimum is set in administrative rules at \$125. There has been a concern expressed by many members of business asking WSI what the cost is to administering the minimum. Make sure we are not subsidizing. The board would be looking at these issues.

**Rep. Vigasaa:** As an employer, I don't see anything wrong with this and feel we should move ahead and take action.

**Rep. Amerman:** Quick question for WSI. You hold a public meeting before a rate change. What criteria do you use to report to public and how far in advance?

**Ron, WSI staff:** We do a notice in all state newspapers. We wait 15 days from the publication before we go to hearing. After the hearing, we have another 15 days for people to make comments. We review all comments and respond in writing. The effective date will become the first day of the month following the day of response.

**Chair Keiser:** We'll adjourn for the day.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1125

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-31-05

Tape Number

4

Side A

x

Side B

Meter #

3-6.7

Committee Clerk Signature

*Jody Henke*

Minutes:

**Chairman Keiser:** Reconvened on HB 1125. 13-committee members were present, 1-absent (Rep. Ekstrom).

**Representative Thorpe:** I move to **ADOPT AMENDMENTS**.

**Representative N. Johnson:** **SECOND** the **ADOPTION** of **AMENDMENTS** motion.

Motion carried.

**Representative Vigasaa:** I move a **DO PASS** as **AMENDED**.

**Representative Nottestad:** **SECOND** the **DO PASS** as **AMENDED** motion.

Motion carried. **VOTE: 13-YES 0-NO 1-Absent.**

**Motion carried**

**Representative Vigasaa** will carry the bill to the floor.

**Meeting adjourned.**

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/04/2005

Amendment to: HB 1125

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		\$0		\$0		\$0
Expenditures		\$0		\$0		\$0
Appropriations		\$0		\$0		\$0

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

WORKFORCE SAFETY & INSURANCE  
2005 LEGISLATION  
SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: Minimum Premiums, Discounts, and Medical Assessments

BILL NO: Engrossed HB 1125

SUMMARY OF ACTUARIAL INFORMATION: Workforce Safety & Insurance (WSI), together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation allows changes to the minimum premium to be considered as part of the rate-making process; removes the mandated 5% discount for successful participation in a Risk Management Program with the intent of providing for a range of discounts dependent upon the individual success of those participating; provides for a waiver of the \$250 medical assessment for employers who report claims by the end of the next business day following the date of injury; increases the medical assessment up to \$350 for failure to report a known workplace injury within 14 days; and simplifies the calculation of premium for employers carrying optional coverage on their children.

The amendments to the original bill clarify that 24 hour reporting is intended to mean by midnight of the next business day and also establish a continuing appropriation authority to fund safety education, grant, and incentive programs in the event there is a reserve surplus. This amendment would allow WSI to direct surplus resources in order to assure we are doing all we can to protect North Dakota's workforce through aggressive safety efforts.

**FISCAL IMPACT:** No significant quantifiable impact is anticipated. Implementation and participation in safety programs is an effective way to reduce overall claims frequency and reduce overall claims costs. Revamping the criteria and discount ranges of the existing safety discount programs to include additional incentives for improvements in timely claims reporting, reductions in claim frequency, and reductions in claim severity may serve to reduce overall claims costs. To the extent these programs are successful; the reduced costs will be reflected in future premium



levels. The waiver of the \$250 medical assessment provides an incentive for employers who report claims promptly. Studies indicate that as reporting lag time increases, claims costs rise. Based on an industry study, claims reported during the second week cost 18% more than those reported in week one; claims reported during weeks three and four cost approximately 30% more than those reported in week one; and the cost differential continues to increase with the increase in report lag. To the extent reporting lag time is reduced and results in reductions of overall claims costs, it will be reflected in future premium levels.

The amendment clarifying 24 hour reporting does not change the impact for the bill as originally introduced. The amendment creating a continuing appropriation for funding various safety initiatives will be funded out of surplus reserves. It is intended these expenditures will result in safer workplaces, less injuries, and reductions in overall claims costs, thus, offsetting the monies expended from the reserve fund.

DATE: February 4, 2005

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

see Narrative for Actuarial Impact statement required to conform with Section 54-03-25 of the NDCC relating to the potential impact on statewide rate and reserve levels.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

see Narrative for Actuarial Impact statement required to conform with Section 54-03-25 of the NDCC relating to the potential impact on statewide rate and reserve levels.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Not Applicable.

**Name:** John Halvorson  
**Phone Number:** 328-3760

**Agency:** WSI  
**Date Prepared:** 02/04/2005

# FISCAL NOTE

Requested by Legislative Council  
01/03/2005

Bill/Resolution No.: HB 1125

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					
Expenditures					
Appropriations					

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

## WORKFORCE SAFETY & INSURANCE 2005 LEGISLATION SUMMARY OF ACTUARIAL INFORMATION

**BILL DESCRIPTION:** Minimum Premiums, Discounts, and Medical Assessments

**BILL NO:** HB 1125

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The proposed legislation allows changes to the minimum premium to be considered as part of the rate-making process; removes the mandated 5% discount for successful participation in a Risk Management Program with the intent of providing for a range of discounts dependent upon the individual success of those participating; provides for a waiver of the \$250 medical assessment for employers who report claims by the end of the next business day following the date of injury; increases the medical assessment up to \$350 for failure to report a known workplace injury within 14 days; and simplifies the calculation of premium for employers carrying optional coverage on their children.

**FISCAL IMPACT:** No significant quantifiable impact is anticipated. Implementation and participation in safety programs is an effective way to reduce overall claims frequency and reduce overall claims costs. Revamping the criteria and discount ranges of the existing safety discount programs to include additional incentives for improvements in timely claims reporting, reductions in claim frequency, and reductions in claim severity may serve to reduce overall claims costs. To the extent these programs are successful; the reduced costs will be reflected in future premium levels. The waiver of the \$250 medical assessment provides an incentive for employers who report claims promptly. Studies indicate that as reporting lag time increases, claims costs rise. Based on an industry study, claims reported during the second week cost 18% more than those reported in week one; claims reported during weeks three and four cost approximately 30% more than those reported in week one; and the cost differential continues to increase with the

increase in report lag. To the extent reporting lag time is reduced and results in reductions of overall claims costs, it will be reflected in future premium levels.

DATE: January 5, 2005

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: John Halvorson  
Phone Number: 328-3760

Agency: WSI  
Date Prepared: 01/11/2005

January 31, 2005

**House Amendments to HB 1125 - Industry, Business and Labor Committee 02/01/2005**

Page 1, line 1, after "sections" insert "65-03-04,"

Page 1, line 5, after "children" insert "; and to provide a continuing appropriation"

Page 1, after line 6, insert:

**"SECTION 1. AMENDMENT.** Section 65-03-04 of the North Dakota Century Code is amended and reenacted as follows:

**65-03-04. Safety programs - Continuing appropriation.** The organization shall create and operate work safety and loss prevention programs to protect the health of covered employees and the financial integrity of the fund, including programs promoting safety practices by employers and employees through education, training, consultation, grants, or incentives. Any funds deposited in the workforce safety insurance fund are appropriated to the organization on a continuing basis for the purpose of funding the programs implemented under this section."

**House Amendments to HB 1125 - Industry, Business and Labor Committee 02/01/2005**

Page 3, line 1, after the first "the" insert "first business"

Renumber accordingly

Roll Call Vote #: Date: 1-31-05  
1

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. H 13 165**

House

**INDUSTRY, BUSINESS AND LABOR**

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

*Adopt Amendments*

Motion Made By

*Rep. Thorpe*

Seconded By

*Rep. Johnson*

Representatives	Yes	No
G. Keiser-Chairman	X	
N. Johnson-Vice Chairman	X	
Rep. D. Clark	X	
Rep. D. Dietrich	X	
Rep. M. Dosch	X	
Rep. G. Froseth	X	
Rep. J. Kasper	X	
Rep. D. Nottestad	X	
Rep. D. Ruby	X	
Rep. D. Vigesaa	X	

Representatives	Yes	No
Rep. B. Amerman	X	
Rep. T. Boe	X	
Rep. M. Ekstrom	A	
Rep. E. Thorpe	X	

Total (Yes)

*13*

No

*0*

Absent

*(1)*

*Rep. EKstrom*

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Roll Call Vote #: **2** Date: **1-31-05**

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. *HB 1125***

House

**INDUSTRY, BUSINESS AND LABOR**

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

*Do Pass As Amended*

Motion Made By

*Rep. Vigesaa*

Seconded By

*Rep. Nottestad*

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	X		Rep. B. Amerman	X	
N. Johnson-Vice Chairman	X		Rep. T. Boe	X	
Rep. D. Clark	X		Rep. M. Ekstrom	A	A
Rep. D. Dietrich	X		Rep. E. Thorpe	X	
Rep. M. Dosch	X				
Rep. G. Froseth	X				
Rep. J. Kasper	X				
Rep. D. Nottestad	X				
Rep. D. Ruby	X				
Rep. D. Vigesaa	X				

Total (Yes) *13* No *0*

Absent

*(1) Rep. EKstrom*

Floor Assignment

*Rep. Vigesaa*

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1125: Industry, Business and Labor Committee (Rep. Keiser, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1125 was placed  
on the Sixth order on the calendar.

Page 1, line 1, after "sections" insert "65-03-04,"

Page 1, line 5, after "children" insert "; and to provide a continuing appropriation"

Page 1, after line 6, insert:

**"SECTION 1. AMENDMENT.** Section 65-03-04 of the North Dakota Century  
Code is amended and reenacted as follows:

**65-03-04. Safety programs** - Continuing appropriation. The organization shall  
create and operate work safety and loss prevention programs to protect the health of  
covered employees and the financial integrity of the fund, including programs  
promoting safety practices by employers and employees through education, training,  
consultation, grants, or incentives. Any funds deposited in the workforce safety  
insurance fund are appropriated to the organization on a continuing basis for the  
purpose of funding the programs implemented under this section."

Page 3, line 1, after the first "the" insert "first business"

Renumber accordingly

2005 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1125



2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1125

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 3-01-05

Tape Number

2

Side A

xxx

Side B

Meter #

126-1825

Committee Clerk Signature 

Minutes: **Chairman Mutch** opened the hearing on HB 1125. All Senators were present.

**HB 1125 relates to workforce safety and insurance annual establishment of minimum premium, premium discount and premium calculation programs.**

**Anne Jorgenson Green**, staff counsel for Workforce Safety and Insurance, introduced the bill.

See written testimony.

**Senator Klein:** In section 5, we've had the two hundred and fifty dollar "deductible" thing for a number of years, why are we looking at changing that? What is the motivation?

**Anne:** We want to continue to incentivize the early reporting of injuries.

**Senator Klein:** So we are suggesting that the two hundred and fifty dollars is waived if employers, by midnight of the next business day, report the injury?

**Anne:** That's correct.

**Senator Klein:** If they don't do it for fourteen days, they get a three hundred and fifty dollar hit.

**Anne:** That is correct.

**Chairman Mutch:** By midnight of the following day, a lot of times, you might not even know he is injured, if he lifts a radiator cap off of a car and burns his hand, he maybe wouldn't even realize that he needs to go to the doctor for a day or so. That is why it seems like a short time.

**Anne:** We are mindful of that.

**Senator Krebsbach:** In section 3, the pre approved risk management program, if you are removing five percent discount, what range will the bureau be looking at?

**Anne:** The vision in removing the five percent language out of statute is to expand that program by administrative rule. The percentage of discount that will be applied to employers, I don't know what the answer to that question is.

**Sandy Blunt,** CEO WSI, clarified the question.

**Sandy:** It's not necessarily reported by the employer, it has to be reported to WSI by midnight the day following. It could be the doctor, the worker, the employer.

**Chairman Mutch:** Then you want to penalize them and raise it to three hundred and fifty dollar deductible.

**Sandy:** We know the cost of the claim dramatically increases outside twenty-fours. In fourteen days, that claim is going to cost twenty-nine percent more than a claim filed in the first twenty-four hours.

**Glen Baltrousch** stated he was neutral on the bill.

There was no opposition.

**Senator Klein moved a DO PASS. Senator Krebsbach seconded.**

**Roll Call Vote:** 7 yes. 0 no. 0 absent..

**Carrier:** Chairman Mutch.

Date: 3-1-05  
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1125

Senate Industry, Business, and Labor

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass

Motion Made By

Klein

Seconded By

Krebsbach

Senators
Chairman Mutch
Senator Klein
Senator Krebsbach
Senator Espegard
Senator Nething

Yes
X
X
X
X
X

No
----

Senators
Senator Fairfield
Senator Heitkamp

Yes	No
X	
X	

Total (Yes)

7

No

0

Absent

0

Floor Assignment

Mutch

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 1, 2005 4:48 p.m.

**Module No: SR-37-3917**  
**Carrier: Mutch**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1125, as engrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1125 was placed on the Fourteenth order on the calendar.**

**2005 TESTIMONY**

HB 1125

**TESTIMONY TO THE  
INDUSTRY, BUSINESS, & LABOR COMMITTEE**  
Prepared January 14, 2005 by the  
North Dakota Association of Counties  
Michael W. Wolf, County Employer Group Manager

**CONCERNING HOUSE BILL NO. 1125**

Mr. Chairman, members of the committee. Good morning, my name is Michael Wolf. I am the Manager of the County Employer Group (CEG) for the North Dakota Association of Counties (NDACo). Thank you for allowing me the opportunity to appear before you today. I am here today testifying in favor of HB1125 as it relates to the waiver of the \$250 medical assessment due to early claims reporting. The County Employer Group is currently the second largest employer group in North Dakota.

Because early reporting is so critical to effective claims management, NDACo recognized the need to implement an innovative early reporting program that would allow a county to receive a monetary credit from NDACo of the \$250 medical assessment if a workplace injury claim is reported within 24 hours. Prior to implementation of our incentive program, some of the counties were good at reporting claims within 24 hours while there were some counties who failed to report any of their claims within 24 hours. As a result, the County Employer Group and WSI had to pay unnecessary lost time benefits or medical costs associated with those claims. In virtually all claims where lost time benefits were paid and when the claim wasn't reported within 24 hours, the CEG could have brought the employee back to work prior to disability benefits being paid. When claims are not reported within 24 hours, studies show that the likelihood of them becoming lost time claims dramatically increases.

The intent of our 24-hour Reporting Program is to protect the CEG fund and the WSI fund from having to pay unnecessary medical and/or lost-time benefit costs and to provide prompt medical treatment to our employees. We have conducted on-site training and we continue to train risk managers, supervisors, department heads, commissioners, and employees in every county on how critical 24-hour reporting is. We stress the importance and the many benefits of early reporting. We have successfully increased the communication lines between supervisors, employees, commissioners, and our risk managers on the importance of early reporting since the inception of our program.

Prior to 2001, the CEG did not have any statistics on 24-hour reporting. In 2001, the first year of our program, county employees filed 272 workplace injury claims. Of those 272 claims, 62 percent of those claims were filed within 24 hours.

In 2002, our 24-hour reporting rate increased to 67% and in 2003 the 24-hour reporting rate increased to 70%. Our 24-hour reporting rate increased once again in 2004 to 82%. When employers report workplace injuries in a timely manner it increases WSI's acceptance rate statistics, which in turn allows WSI the opportunity to provide for more timely adjudication of the claim. This dramatically increases the satisfaction level of our employees because their needs are being address immediately.

When we decided to implement this program, we weren't sure if offering a monetary incentive was enough to make this program successful. Our program has evolved to a point where county auditors are calling us to find out why they didn't receive their credit on a specific claim. When we explain why, that filters down to the department or person responsible for missing the 24-hour deadline. As a result, this program has had a positive impact on raising the awareness of the adverse effects for each party—the employee and the employer on the delays of early reporting. After all, our main objective is to get our

employees not only prompt medical treatment, but the best medical treatment as well. When claims are reported within 24 hours, we can achieve both objectives. We have also never had a claim that was reported to us within 24 hours go to litigation.

Why offer an incentive for early reporting? The answer is simple. Delays in reporting workplace injuries increase the cost of the claim. Studies have shown that six days of delay in reporting a workplace injury can more than *double* the cost of the claim. Also, early intervention dramatically decreases the likelihood of attorney involvement. The impact of increased costs because of delayed reporting can also be extremely detrimental to our group through WSI's experience rating program.

Because WSI recognized the benefits of our program for employees, employers, and themselves, NDACo received grant funding in 2003 from WSI in the amount of \$6,500 to help offset a portion of the costs NDACo was reimbursing the counties for their compliance with 24-hour reporting. Our 24-hour reporting program was so successful that all of the grant funding was used up in the first two quarters of the one-year grant.

There are many benefits to this program. It has saved WSI from expending unnecessary claims costs, especially lost-time benefits because the claims management process is able to start more quickly and effectively. Virtually every workplace injury has the potential to become a lost-time claim. Through early intervention in the claims management process, unnecessary costs have certainly been avoided since the implementation of this program. But most notably, our employees have benefited from this program by receiving prompt and effective medical treatment and prompt efficient service from WSI.

This innovative program has been a win-win situation for both WSI and NDACo. I feel this program would be beneficial to employers and employees if offered on a state-wide basis.



In consideration of time, I have attached a brief synopsis on how our program works. You can review that information at your convenience. I appreciate you allowing me the opportunity to address this bill. I would be happy to answer any questions that you may have.

***Here is how the NDACo Claims Assessment Incentive Program works:***

- WSI bills the CEG one monthly assessment charge for all 53 counties. The CEG pays that monthly statement and then bills back the individual counties according to their claims history.
- ***Incentive:*** If the claim is reported to the CEG Internal Claims Manager or myself ***within 24 hours***, the county receives up to a ***\$100 credit*** on their claims assessment billing. We require that the C1 and C2 claims forms are completed and then faxed to NDACo immediately to ensure that we can forward all of the forms to WSI on behalf of the county. We also allow our risk managers to file the claim with WSI on-line on behalf of the employee.
- Each county is then eligible to receive this credit on each claim they report properly within 24 hours.
- If the county does not report the injury to NDACo within 24 hours, they are responsible to pay the full assessment fee up to \$250.
- We understand there will be circumstances where counties may not be able to contact NDACo within 24 hours due to several departments (law enforcement, road department) that provide service on weekends and during the evening. In those cases, counties must either leave a voicemail message with NDACo, or email us within 24 hours notifying us of the injury. For example, if a sheriff's deputy gets injured at 11:00pm on a Friday or Saturday evening, the earliest they could speak with someone from NDACo by phone is Monday morning. In this instance, the typical 24-hour reporting deadline has passed. However, if NDACo has been notified via email or voicemail within 24 hours of the injury, we will consider this as timely reporting.
- Another instance where the 24-hour time period will have lapsed is if an employee experiences an injury but does not seek immediate medical care (these are called near miss accidents). If the employee seeks medical care two weeks later, we consider 24 hour reporting to have taken place if they notified NDACo within 24 hours of the initial medical appointment **and** a near miss accident form was filled out at the time of the near miss accident. Counties must provide documentation that a near miss accident form was completed at the time of the initial accident.

## HOUSE BILL 1125

Chairman Keiser and members of the House Industry, Business and Labor Committee:

My name is Chuck Peterson. I chairman of the board of directors of Jobbers Moving and Storage. We have locations in Bismarck, Fargo, and Minot, North Dakota as well as Aberdeen, South Dakota. We have been a user of the services of Workforce Safety and Insurance services since 1960.

### Minimum Premium:

I believe that the consideration of premium levels should be addressed by WSI through the administrative process allowing employers to voice their concerns at a public hearing. I have found it necessary to purchase minimum policies in a number of states in order to not be found uninsured. The premiums were usually considerable more than the minimum premium charged by North Dakota WSI.

### Premium Discounts for Risk Management

Jobbers Moving and Storage was in the first group of employers qualifying for the Risk Management Program. This program provided an automatic 5% discount. I have become aware the good action did not always follow the filing of documents. WSI should qualify their insured based on effort and actual results rather than filing a safety manual. Employers who are really trying to comply with safety programs should be rewarded for doing so.

### Medical Expense

This bill provides an incentive for employers to report an injury within 24 hours of learning of and injury. I find this acceptable. I have learned that prompt action on the part of the employer and WSI is key to successful claim management and a good outcome.

I believe that waiting 14 days to report and injury places the outcome in jeopardy. An acceptable penalty is appropriate.

It is my understanding that an employee may be injured late on a Friday, and the business may be closed on the weekend. The employer may not learn of the accident until Monday morning. This bill will provide an incentive for the employer to report the incident immediately and would not penalized. The 24 hour or 14 day time clock will not start running until the employer learns of the injury.

I have appreciated the opportunity to provide this information. I am available for questions.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1125

Page 2, after line 24, insert:

**"SECTION 4. AMENDMENT.** Section 65-03-04 of the North Dakota Century Code is amended and reenacted as follows:

**65-03-04. Safety programs. Continuing appropriation.** The organization shall create and operate work safety loss prevention programs to protect the health of covered employees and the financial integrity of the fund, including programs promoting safety practices by employers and employees through education, training, consultation, grants, or incentives. Money in the workforce safety and insurance fund is appropriated on a continuing basis for the programs implemented under this section.

Page 3, line 1, after the first comma insert "or if the injury occurs on a Friday, Saturday, or Sunday the claim is filed by midnight central time on the next business day the organization is open for business,"

Renumber accordingly

*Amendment*

**2005 House Bill No. 1125**  
**Testimony before the House Industry, Business, and Labor Committee**  
**Presented by: Anne Jorgenson Green, Staff Counsel**  
**Workforce Safety and Insurance**  
**January 17, 2005**

Mr. Chairman, Members of the Committee:

Good Morning. My name is Anne Jorgenson Green and I am staff counsel for Workforce Safety and Insurance (WSI). I am here today to testify in support of House Bill 1125. This bill proposes changes to several statutes regarding policyholder services. In addition, WSI has an amendment to offer to HB 1125. The WSI Board of Directors supports this bill and its amendment.

**Section 1.** This proposed change brings any rate adjustment in the minimum premium into WSI's rate-making process. At the conclusion of the public rate hearing process, WSI's Board of Directors is charged with approving all final rate recommendations with the exception of minimum premium.

Currently, minimum premium rates are established by administrative rule. This proposed change permits the Board to approve minimum premium as they do all other rates.

**Section 2.** This change removes the words "five percent" to the law governing WSI's risk management program. Removal of the five percent language permits WSI to expand risk management programs without being locked into providing only a fixed percentage discount.

**Section 3.** As in section 2, the proposed change in section 3 permits WSI to consider additional factors in a loss prevention program. The current language of this section mandates the consideration of early reporting of injuries. But the "big three" recognized in the industry include not only early reporting or "lag time," but also frequency and severity.

Recognizing that frequency and severity are also critical considerations in addition to the early reporting of injuries, WSI proposes replacing the mandatory language with permissive language. This will broaden WSI's ability to consider additional factors and permit the implementation of greater incentives to employers who demonstrate exceptional global safety practices.

**Section 4.** The proposed changes in section 4 deal with WSI's \$250 medical expense assessment. By statute, a North Dakota employer is required to reimburse WSI for the first \$250 of claims costs in every claim. In an effort to encourage the immediate reporting of workplace injuries, the first \$250 will be paid by WSI if a claim is filed with WSI by midnight <sup>next business</sup> the day following the date of injury. Conversely, if a claim for benefits is filed more than 14 days following the date of injury, that employer will be assessed \$350 instead of \$250.

**Section 6 & 7.** These changes correct typographical and form errors and have no substantive intent or effect.

**Sections 8.** This change simplifies unintended confusion with regard to the calculation of premium for the coverage of an employer's child between the ages of 18 and 22. Coverage for the child of an employer in this age range is optional, not mandatory. The change alters the basis of the calculation of premium for an employer's child to actual wages paid rather than at the wage cap. Once a child has reached age 22, coverage for the child of an employer is mandatory.

Lastly, WSI proposes an amendment to HB 1125 which would provide WSI with continuing appropriation authority to fund safety education, grant, and incentive programs in the event there is a reserve surplus. We would all agree that the best claim is the one that never happened. The first charge of WSI is to protect North Dakota's workforce through effective safety programs. This amendment would allow WSI to direct surplus resources in order to assure we are doing all we can to protect North Dakota's workforce through aggressive safety efforts.

WSI requests your favorable consideration of House Bill 1125 and the proposed amendment. If there are

any questions, I would be happy to answer them at this time.

**PROPOSED AMENDMENTS TO HOUSE BILL 1125**

**Safety Continuing Appropriation**

**SECTION 1. AMENDMENT.** Section 65-03-04 of the North Dakota Century Code is amended and reenacted as follows:

**65-03-04. Safety programs. continuing appropriation.** The organization shall create and operate work safety and loss prevention programs to protect the health of covered employees and the financial integrity of the fund, including programs promoting safety practices by employers and employees through education, training, consultation, grants, or incentives. Money in the workforce safety and insurance fund is appropriated on a continuing basis for the programs implemented under this section.



**WSI - PHS Related, Premium Discount, Employer's Child Coverage**

**Sponsor: Rep. Alan Carlson, Co-Sponsors: Sen. Karen Kresbach and Rep. Don Vigessaa**

**Minimum Premium**

- Allows changes to the minimum premium to be considered as part of the rate-making process.

*WHY - Minimum premium is currently established by administrative rule and set at \$125. The last change to minimum premium occurred in 1994. An informal public hearing is held annually prior to the effective date for any premium rate change. Proposed changes to minimum premium would be incorporated into this process.*

**Safety Discounts**

- Removes the mandated 5% discount for successful participation in a Risk Management Program. Allows WSI to establish a discount program offering a range of discounts dependent upon the individual success of those participating.

*WHY - Currently WSI is mandated to provide a 5% discount to employers meeting certain program requirements regardless if an employer's claims experience is favorable or adverse.*

**Medical Expense Assessments**

- Provides \$250 financial incentives to employers who report a workplace injury within 24 hours of learning of that injury. Adds a \$100 financial disincentive for failure to report a known workplace injury within 14 days. *after 14 days = 350<sup>00</sup>*

*WHY - Immediate claims reporting facilitates immediate and comprehensive medical care and claims management.*

**Optional Coverage for Children**

- Simplifies the calculation of premium for employers carrying optional coverage on their children.
- Children of employers under the age of 22 → optional coverage based on actual wages paid and not at the maximum.
- Children of employers over the age of 22 → mandatory comp coverage

*WHY - Corrects an unintended result of the current law; cost prohibitive coverage for children of employers.*

**FISCAL NOTE:**

No significant quantifiable impact is anticipated.

Implementation and participation in safety programs is an effective way to reduce overall claims frequency and reduce overall claims costs. Revamping the criteria and discount ranges of the existing safety discount programs to include additional incentives for improvements in timely claims reporting, reductions in claim frequency, and reductions in claim severity may serve to reduce overall claims costs. To the extent these programs are successful; the reduced costs will be reflected in future premium levels.

The waiver of the \$250 medical assessment provides an incentive for employers who report claims promptly. Studies indicate that as reporting lag time increases, claims costs rise. Based on an industry study, claims reported during the second week cost 18% more than those reported in week one; claims reported during weeks three and four cost approximately 30% more than those reported in week one; and the cost differential continues to increase with the increase in report lag. To the extent reporting lag time is reduced and results in reductions of overall claims costs, it will be reflected in future premium levels.

**WORKFORCE SAFETY & INSURANCE**  
**2005 LEGISLATION**  
**SUMMARY OF ACTUARIAL INFORMATION**

**BILL DESCRIPTION:** Minimum Premiums, Discounts, and Medical Assessments

**BILL NO:** HB 1125 w/ Amendments

**SUMMARY OF ACTUARIAL INFORMATION:** Workforce Safety & Insurance (WSI), together with its actuary, Glenn Evans of Pacific Actuarial Consultants, has reviewed the legislation proposed in this bill in conformance with Section 54-03-25 of the North Dakota Century Code.

The proposed legislation allows changes to the minimum premium to be considered as part of the rate-making process; removes the mandated 5% discount for successful participation in a Risk Management Program with the intent of providing for a range of discounts dependent upon the individual success of those participating; provides for a waiver of the \$250 medical assessment for employers who report claims by the end of the next business day following the date of injury; increases the medical assessment up to \$350 for failure to report a known workplace injury within 14 days; and simplifies the calculation of premium for employers carrying optional coverage on their children.

The proposed amendments clarify that 24 hour reporting is intended to mean by midnight of the next business day and also establishes continuing appropriation authority to fund safety education, grant, and incentive programs in the event there is a reserve surplus. This amendment would allow WSI to direct surplus resources under to assure we are doing all we can to protect North Dakota's workforce through aggressive safety efforts.

**FISCAL IMPACT:** No significant quantifiable impact is anticipated. Implementation and participation in safety programs is an effective way to reduce overall claims frequency and reduce overall claims costs. Revamping the criteria and discount ranges of the existing safety discount programs to include additional incentives for improvements in timely claims reporting, reductions in claim frequency, and reductions in claim severity may serve to reduce overall claims costs. To the extent these programs are successful; the reduced costs will be reflected in future premium levels. The waiver of the \$250 medical assessment provides an incentive for employers who report claims promptly. Studies indicate that as reporting lag time increases, claims costs rise. Based on an industry study, claims reported during the second week cost 18% more than those reported in week one; claims reported during weeks three and four cost approximately 30% more than those reported in week one; and the cost differential continues to increase with the increase in report lag. To the extent reporting lag time is reduced and results in reductions of overall claims costs, it will be reflected in future premium levels.

The amendment clarifying 24 hour reporting does not change the impact for the bill as originally introduced. The amendment creating a continuing appropriation for funding various safety initiatives will be funded out of surplus reserves. It is intended these expenditures will result in safer workplaces, less injuries, and reductions in overall claims costs, thus, offsetting the monies expended from the reserve fund.

**DATE:** January 17, 2005

TESTIMONY TO THE  
INDUSTRY, BUSINESS, & LABOR COMMITTEE  
Prepared March 1, 2005 by the  
North Dakota Association of Counties  
Michael W. Wolf, County Employer Group Manager

**CONCERNING HOUSE BILL NO. 1125**

Mr. Chairman, members of the committee. Good morning, my name is Michael Wolf. I am the Manager of the County Employer Group (CEG) for the North Dakota Association of Counties (NDACo). Thank you for allowing me the opportunity to appear before you today. I am here today testifying in favor of HB1125 as it relates to the waiver of the \$250 medical assessment due to early claims reporting. The County Employer Group is currently the second largest employer group in North Dakota.

Because early reporting is so critical to effective claims management, NDACo recognized the need to implement an innovative early reporting program that would allow a county to receive a monetary credit from NDACo of the \$250 medical assessment if a workplace injury claim is reported within 24 hours. Prior to implementation of our incentive program, some of the counties were good at reporting claims within 24 hours while there were some counties who failed to report any of their claims within 24 hours. As a result, the County Employer Group and WSI had to pay unnecessary lost time benefits or medical costs associated with those claims. In virtually all claims where lost time benefits were paid and when the claim wasn't reported within 24 hours, the CEG could have brought the employee back to work prior to disability benefits being paid. When claims are not reported within 24 hours, studies show that the likelihood of them becoming lost time claims dramatically increases.

The intent of our 24-hour Reporting Program is to protect the CEG fund and the WSI fund from having to pay unnecessary medical and/or lost-time benefit costs and to provide prompt medical treatment to our employees.

Prior to 2001, the CEG did not have any statistics on 24-hour reporting. In 2001, the first year of our program, county employees filed 272 workplace injury claims. Of those 272 claims, 62 percent of those claims were filed within 24 hours.

In 2002, our 24-hour reporting rate increased to 67% and in 2003 the 24-hour reporting rate increased to 70%. Our 24-hour reporting rate increased once again in 2004 to 82%. When employers report workplace injuries in a timely manner it increases WSI's acceptance rate statistics, which in turn allows WSI the opportunity to provide for more timely adjudication of the claim. This dramatically increases the satisfaction level of our employees because their needs are being address immediately.

When we decided to implement this program, we weren't sure if offering a monetary incentive was enough to make this program successful. Our program has evolved to a point where county auditors are calling us to find out why they didn't receive their credit on a specific claim. When we explain why, that filters down to the department or person responsible for missing the 24-hour deadline. As a result, this program has had a positive impact on raising the awareness of the adverse effects for each party—the employee and the employer on the delays of early reporting. After all, our main objective is to get our employees not only prompt medical treatment, but the best medical treatment as well. When claims are reported within 24 hours, we can achieve both objectives. We have also never had a claim that was reported to us within 24 hours go to litigation.

Why offer an incentive for early reporting? The answer is simple. Delays in reporting workplace injuries increase the cost of the claim. Studies have shown that six days of delay

in reporting a workplace injury can more than *double* the cost of the claim. Also, early intervention dramatically decreases the likelihood of attorney involvement. Virtually every workplace injury has the potential to become a lost-time claim. It has saved WSI from expending unnecessary claims costs, especially lost-time benefits because the claims management process is able to start more quickly and effectively. But most notably, our employees have benefited from this program by receiving prompt and effective medical treatment and prompt efficient service from WSI.

This innovative program has been a win-win situation for both WSI and NDACo. I feel this program would be beneficial to employers and employees if offered on a state-wide basis.

I appreciate you allowing me the opportunity to address this bill. I would be happy to answer any questions that you may have.

**2005 Engrossed House Bill No. 1125**  
**Testimony before the Senate Industry, Business, and Labor Committee**  
**Presented by: Anne Jorgenson Green, Staff Counsel**  
**Workforce Safety and Insurance**  
**March 1, 2005**

Mr. Chairman, Members of the Committee:

Good Morning. My name is Anne Jorgenson Green and I am staff counsel for Workforce Safety and Insurance (WSI). I am here today to testify in support of Engrossed House Bill 1125 (HB 1125). This bill proposes changes to several statutes regarding policyholder services. The WSI Board of Directors supports this bill.

**Section 1.** The workforce of North Dakota is the driving force behind the state's business success and the strong communities we enjoy. Protecting our workforce and assuring their safety while they are at work should be a top priority and commitment because the best claim is the one that never happened.

Section 1 provides WSI with continuing appropriation authority to fund safety education, matching grants, and incentive programs in the event there is a reserve surplus. The first charge of WSI is to protect North Dakota's workforce through effective safety programs. This amendment allows WSI to direct surplus resources in order to assure we are doing all we can to protect North Dakota's workforce through aggressive safety efforts.

**Section 2.** This proposed change brings any rate adjustment in the minimum premium into WSI's rate-making process. At the conclusion of the public rate hearing process, WSI's Board of Directors is charged with approving all final rate recommendations with the exception of minimum premium. Currently, minimum premium rates are established by administrative rule. This proposed change permits the Board to approve minimum premium as they do all other rates.

**Section 3.** This change removes the words "five percent" from the law governing WSI's risk management program. It should be noted that it is still WSI's intention and commitment to continue to provide the discount. The removal of the five percent language permits WSI to expand risk management programs without being locked into providing only a fixed percentage discount.

**Section 4.** The proposed changes in Section 4 permit WSI to consider additional factors in a loss prevention program. The current language of this section mandates the consideration of early reporting of injuries. However, the "big three" recognized in the industry include not only early reporting or lag time, but also frequency and severity.

Recognizing that frequency and severity are also critical considerations in addition to the early reporting of injuries, WSI proposes replacing the mandatory early reporting language with permissive language. This will broaden WSI's ability to consider additional factors and permit the implementation of greater incentives to employers who demonstrate exceptional global safety practices.

**Section 5.** The proposed changes in Section 5 deal with WSI's \$250 medical expense assessment. By statute, a North Dakota employer is required to reimburse WSI for the first \$250 of claims costs in every claim. In an effort to encourage the immediate reporting of workplace injuries, the first \$250 will be paid by WSI if a claim is filed with WSI by midnight of the first business day following the date of injury. Conversely, if a claim for benefits is filed more than fourteen days following the date the employer knew of the injury, that employer will be assessed \$350 instead of \$250.

**Section 6.** These changes correct typographical and form errors and have no substantive intent or affect.

**Section 7.** This change simplifies unintended confusion with regard to the calculation of premium for the coverage of an employer's child between the ages of 18 and 22. Coverage for the child of an employer in this age range is optional, not mandatory. The change alters the basis of the calculation of premium for an employer's child to actual wages paid rather than at the wage cap. Once a child has reached age 22, coverage for the child of an employer is mandatory.

WSI requests your favorable consideration of Engrossed House Bill 1125. If there are any questions, I would be happy to answer them at this time.