

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

1436

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1436

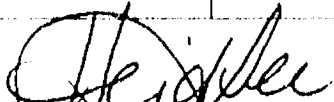
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1436

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Jan 30, 2001

Tape Number	Side A	Side B	Meter #
1	X		26-38.66
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Dosch: Sponsoring bill. **Written Testimony**

Rep Ruby: Co-Sponsor

Rep Koppang: How many claims with a \$250 deduction?

Rep Ruby: \$3 million.

Julie Leer: **Written testimony opposed**

Chairman Berg: We'll close the hearing.

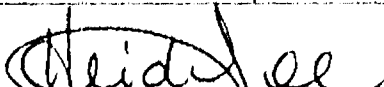
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1436 (B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date Feb. 12, 2001

Tape Number	Side A	Side B	Meter #
1		X	5.76-16.0
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Chairman Berg: There is a \$250 deductible on each claim that goes through an employers experience rating at the Worker's Comp Bureau.

Rep Ruby: This bill came out of frustration for larger injury's. Small companies should have a smaller rate.

Rep Severson: I like the \$250 charge because it gives more attention to potential problems.

Rep Koppang: Why was \$250 put into the fund?

Chairman Berg: The fund was a huge deficit because employees went directly to Workers Comp instead of to the employer. The \$250 won't hurt the experience rating.

Rep Ekstrom: Multiple small incidents should be an alert to Workers Comp.

Rep Froseth: I move a do not pass.

Page 2
House Industry, Business and Labor Committee
Bill/Resolution Number HB 1436(B)
Hearing Date Feb. 12, 2001

Rep Ekstrom: 1 second.

14 yea, 1 nay, 0 absent

Carrier Rep M. Klein

FISCAL NOTE

Requested by Legislative Council
01/23/2001

Bill/Resolution No.: HB 1436

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 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.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 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.*

NORTH DAKOTA WORKERS COMPENSATION 2001 LEGISLATION SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: \$250 Assessment

BILL NO: HB 1436

SUMMARY OF ACTUARIAL INFORMATION: North Dakota Workers Compensation, 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 bill will eliminate the existing \$250 assessment for medical costs. In addition, it adds language that requires that "The experience rating system may not consider claims of two hundred fifty dollars or less in a manner that negatively affects an employers experience rating".

The elimination of the \$250 assessments should flow through the Bureau's rating structure on a revenue neutral basis. The Bureau will need to increase premiums to cover the first \$250 of each medical claim (approximately 3%), but those increases will be off-set, in aggregate, by decreases in assessments charged to employers on a statewide basis. However, the financial impact of the change will not be revenue neutral for individual employers.

The legislation does not specify an effective date. Thus, it is not clear if the medical assessment will be eliminated for all unresolved claims, or only for future injury years. To the extent that assessments are eliminated for unresolved claims arising out of prior coverage periods, discounted loss reserves will increase by \$1 million to \$2 million.

FISCAL IMPACT: The ultimate impact of the added constraint regarding the way small losses are handled in the experience-rating plan is not clear. Our concern can be tied to the fact the future premium rates will necessarily include provision for claims of \$250 or less, yet the legislation may effectively prevent the Bureau from considering small losses in the derivation of experience rating factors. This situation, in turn, creates the potential for an internal inconsistency in the rating structure since the Bureau's experience-rating program (similar to those utilized in other jurisdictions) was designed to modify aggregate manual premiums - which will include provision for small losses.

DATE: January 26, 2001

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:	Paul R. Kramer	Agency:	ND Workers Compensation
Phone Number:	328-3856	Date Prepared:	01/26/2001

Date: 2-12-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. Click here to type Bill/Resolution Number HB 1436

House Industry, Business and Labor Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Froseth Seconded By Ekstrom

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich	✓		Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby		✓
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 14 No 1

Absent 0

Floor Assignment Rep M. Klein

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

REPORT OF STANDING COMMITTEE (410)
February 12, 2001 12:19 p.m.

Module No: HR-25-3039
Carrier: M. Klein
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1436: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends
DO NOT PASS (14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1436 was
placed on the Eleventh order on the calendar.

2001 TESTIMONY

HB 1436

House Bill Numbers 1260, 1412, 1429, & 1436

Fifty-Seventh Legislative Assembly Before the House Industry, Business, & Labor Committee January 30, 2001 Testimony Regarding Workers Compensation Legislation

Good morning Chairman Berg, members of the House Industry, Business, and Labor Committee:

I'm Dick Johnsen and I am a member of the North Dakota Workers Compensation Board of Directors. I am here this morning to testify regarding the Board's position on several pieces of legislation that will affect the state's workers' compensation system.

In the interest of time, I will provide you with a brief description of four of the bills you will be hearing this morning and tell you about the recommendations the Board made regarding each of the bills.

The first is House Bill No. 1260, which the Board unanimously supports. House Bill No. 1260 would allow an employer with a deductible policy to keep 100% of the recovery in a third-party action if an injured worker or the Bureau chooses not to pursue the third-party for recovery of damages. This bill relates to a small number of employers, and it will not have an impact on rates or reserve levels.

The second bill is House Bill No. 1412. It would allow payment of preventive treatment for communicable diseases resulting from performing emergency medical procedures that an employer requires. The Board is opposed to this bill the way it is written because it is too broad. The Board agrees that amendments better defining the group covered and the type of diseases covered would enhance the bill and may make it easier to support.

House Bill No. 1429 is the third bill. This bill would eliminate the payroll cap and require NDWC to calculate premium based on gross payroll. This bill would include a payroll cap of four-times the state's average annual wage. The cap based on this year's figures would be approximately \$92,000. The Board unanimously supports this bill. The decision to move towards a gross payroll calculation is a recommendation from our most recent performance evaluation. Calculating premium on gross payroll is an industry standard and would allow North Dakota to more easily compare rates with other states. Any change to the system would be revenue neutral to the Bureau.

The final bill is House Bill No. 1436. The Board unanimously opposes this bill because it would repeal the \$250 medical assessment the Bureau collects from employers on each claim. The \$250 medical assessment accounts for approximately \$3 million in annual income for the Bureau. If NDWC were to do away with this assessment, premiums would have to be increased by about three percent. The Board also feels the assessment is a good way to remind employers of the importance of providing a safe workplace.

I thank you for your time and consideration this morning. On behalf of the Board of Directors, I ask for your favorable consideration on House Bills numbered 1260 and 1429. I ask that you do not give favorable consideration to House Bills numbered 1412 and 1436.

MARK DOSCH
Representative District 32
Industry Business & Labor
January 30, 2001

For the record, my name is Mark Dosch, Representative for District 32 (south Bismarck). I am a small business owner that is in support of HB 1436.

This bill deals with the \$250 deductible an employer must pay on each Workers Compensation (WC) claim. For those of you who are unfamiliar with the process, let me explain. If an employee should injure him/herself on the job, WC will charge to the employer the first \$250 of each claim. Any amounts over this amount will then be paid by WC.

This bill is before you as a result of a performance evaluation of the ND Workers Compensation Bureau that was conducted by the Hays Group of Minneapolis, Minnesota, an independent consulting firm. In this 139 page report, the Hayes Group recommended eliminating the \$250 deductible. The Hays Group stated the following:

"We see several issues in managing this program. First, employers may be confused when a payment for medical treatment spans two quarters (employers are billed quarterly). An employer may be billed \$100 in one quarter and \$80 in the following quarter for a medical procedure that cost \$180. This inherent process increases employer inquiries and the cost of invoicing collections. Second, the invoices tend to be confusing for ND employers. This results in additional inquiries to Policyholder Service staff."

"NDWC needs to assess the cost to process and collect assessments. There are a significant number of assessments invoices that are delinquent. The delinquencies increase pressure on staff and the collections unit to collect relatively small invoices that do not have a significant impact on the bottom line of NDWC."

It was the recommendation of the Hays Group "that the \$250 medical assessment per claim be eliminated." They gave this a HIGH Priority.

In addition to the administrative problems caused by this assessment, I feel that it imposes additional hardships on the smaller companies in ND. My company for example pays over \$35,000 to Workers Compensation premium. In addition, we are also assessed this additional \$250 amount. It's a burden that is becoming increasingly difficult to bear.

As you review the fiscal note, you must also keep in mind that it was prepared by the WCB who does not like the idea. They do not for obvious reasons take into account the administrative savings as a result of substantially fewer calls to the bureau as indicated in the Hays report. In addition, they do not address the amount of money they are unable to collect on these relatively small dollar amounts Vs the amount of administrative time consumed, that could be better spent on providing services to the injured workers claims. Administrative savings could offset much of the proposed loss of revenue to the WCB

^{WCB}
You will also hear from ~~representatives~~ that the elimination of the deductible will somehow cause the employer to lose sight of claims, and may even encourage more claims. As an employer, I can tell you nothing is further from the truth.

MARK DOSCH
Representative District 32
Industry Business & Labor
January 30, 2001

I challenge you to find any employer in the state that finds any amount of claims expectable. It is the goal of our company, as it is with every other employer I suspect, to have no claims in any given year.

The WCB fund is now very healthy, and there is no reason why it must continue to place these additional assessment burdens on the small business of ND. I would strongly recommend a favorable (pro-business) vote on HB 1436.

Thank you!

Ls/HB 1436 W/C Deductible

Fifty-seventh
Legislative Assembly
of North Dakota

House Bill No. 1436

Before the House Industry, Business, and Labor Committee
North Dakota Workers Compensation Testimony
January 30, 2001

Mr. Chairman, Members of the Committee:

My name is Julie Leer. I am General Counsel for North Dakota Workers Compensation (NDWC) and I am here to testify in opposition to 2001 House Bill No. 1436. The Workers Compensation Board of Directors unanimously opposes this bill.

2001 House Bill No. 1436 proposes to repeal the statute requiring employers to pay the first \$250 in medical costs on claims. The "\$250 assessment" was first implemented in 1991 and was intended to make employers more aware of the injuries for which claims were being filed and the costs of those claims. Introduced as 1991 House Bill No. 1243, the bill was amended dramatically before being included in 1991 Senate Bill No. 2206, the final "workers' compensation reform" bill. The objections of 1991 are some of the reasons the Hays Group recommended eliminating the assessment in its 2000 performance evaluation of NDWC: administrative cost of the program and potential financial burden to small employers of the \$250 assessment. NDWC disagreed with the Hays Group's recommendation, stating:

NDWC disagrees with this recommendation. North Dakota's \$250 Medical Assessment Program is unique within the workers' compensation industry. It is basically a mandated deductible policy for all employers. NDWC also has a deductible program where employers can opt for various deductible levels.

Assessment revenue approaches \$3 million annually, allowing premium savings of approximately 3%. The processing of bills and collection of delinquent amounts do not significantly reduce the cost effectiveness of the program. The program also promotes more active employer participation in claims management.

Because NDWC believes the \$250 medical assessment is an effective claims management tool and that it increases employer awareness and participation in workers' compensation claims, NDWC opposes this bill to eliminate the \$250 medical assessment and requests that the committee recommend a "Do Not Pass" on this bill.

Thank you. I'll attempt to answer any questions at this time.

Requested by Legislative Council
01/23/2001

Bill/Resolution No.: HB 1436

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 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.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 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.*

NORTH DAKOTA WORKERS COMPENSATION 2001 LEGISLATION SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: \$250 Assessment

BILL NO: HB 1436

SUMMARY OF ACTUARIAL INFORMATION: North Dakota Workers Compensation, 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 bill will eliminate the existing \$250 assessment for medical costs. In addition, it adds language that requires that "The experience rating system may not consider claims of two hundred fifty dollars or less in a manner that negatively affects an employers experience rating".

The elimination of the \$250 assessments should flow through the Bureau's rating structure on a revenue neutral basis. The Bureau will need to increase premiums to cover the first \$250 of each medical claim (approximately 3%), but those increases will be off-set, in aggregate, by decreases in assessments charged to employers on a statewide basis. However, the financial impact of the change will not be revenue neutral for individual employers.

The legislation does not specify an effective date. Thus, it is not clear if the medical assessment will be eliminated for all unresolved claims, or only for future injury years. To the extent that assessments are eliminated for unresolved claims arising out of prior coverage periods, discounted loss reserves will increase by \$1 million to \$2 million.

FISCAL IMPACT: The ultimate impact of the added constraint regarding the way small losses are handled in the experience-rating plan is not clear. Our concern can be tied to the fact the future premium rates will necessarily include provision for claims of \$250 or less, yet the legislation may effectively prevent the Bureau from considering small losses in the derivation of experience rating factors. This situation, in turn, creates the potential for an internal inconsistency in the rating structure since the Bureau's experience-rating program (similar to those utilized in other jurisdictions) was designed to modify aggregate manual premiums - which will include provision for small losses.

DATE: January 26, 2001

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:	Paul R. Kramer	Agency:	ND Workers Compensation
Phone Number:	328-3856	Date Prepared:	01/26/2001

NORTH DAKOTA WORKERS COMPENSATION
2001 LEGISLATION
SUMMARY OF ACTUARIAL INFORMATION

BILL DESCRIPTION: S250 Assessment

BILL NO: HB 1436

SUMMARY OF ACTUARIAL INFORMATION: North Dakota Workers Compensation, 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 bill will eliminate the existing \$250 assessment for medical costs. In addition, it adds language that requires that "The experience rating system may not consider claims of two hundred fifty dollars or less in a manner that negatively affects an employers experience rating".

The elimination of the \$250 assessments should flow through the Bureau's rating structure on a revenue neutral basis. The Bureau will need to increase premiums to cover the first \$250 of each medical claim (approximately 3%), but those increases will be off-set, in aggregate, by decreases in assessments charged to employers on a statewide basis. However, the financial impact of the change will not be revenue neutral for individual employers.

The legislation does not specify an effective date. Thus, it is not clear if the medical assessment will be eliminated for all unresolved claims, or only for future injury years. To the extent that assessments are eliminated for unresolved claims arising out of prior coverage periods, discounted loss reserves will increase by \$1 million to \$2 million.

FISCAL IMPACT: The ultimate impact of the added constraint regarding the way small losses are handled in the experience-rating plan is not clear. Our concern can be tied to the fact the future premium rates will necessarily include provision for claims of \$250 or less, yet the legislation may effectively prevent the Bureau from considering small losses in the derivation of experience rating factors. This situation, in turn, creates the potential for an internal inconsistency in the rating structure since the Bureau's experience-rating program (similar to those utilized in other jurisdictions) was designed to modify aggregate manual premiums - which will include provision for small losses.

DATE: January 26, 2001