

Joint Work Session - Senate Labor, Commerce, and Consumer Protection Committee & House Commerce and Labor Committee - HANDOUTS

Judy Schurke, Director
November 17, 2010



Workers' Comp Interim Work Group Members

Kris Tefft	Association of Washington Business
Lori Daigle	Sellen Construction
Rebecca Forrester	Group Health Cooperative
Tammie Hetrick	Washington Retail Association
Terry Peterson	Comprehensive Risk Management
Jeff Johnson	Washington State Labor Council
Dave Johnson	Washington State Building and Construction Trades Council
Owen Linch	Joint Council of Teamsters #28
Karen Gude	United Food and Commercial Workers International Union #1439
Terri Herring	Welch & Condon
Judy Schurke	Department of Labor and Industries
Vickie Kennedy	Department of Labor and Industries
Bob Malooly	Department of Labor and Industries

*Meetings currently scheduled through December 16, 2010.

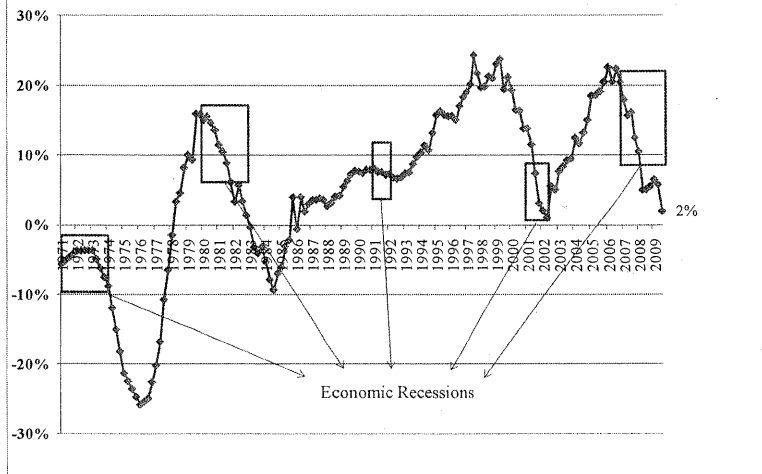


Recession impact on Workers' Compensation:

- ↓ hours worked, and premiums, have declined
- ↓ frequency of new claims has decreased, now flattened?
- Change in the mix of Washington industries = change in mix of new claims
- ↑ proportion of claims receiving ongoing time-loss has increased
- ↑ claims staying on time-loss longer



The Contingency Reserve Drops During Economic Recessions



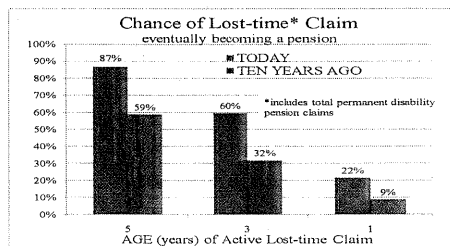
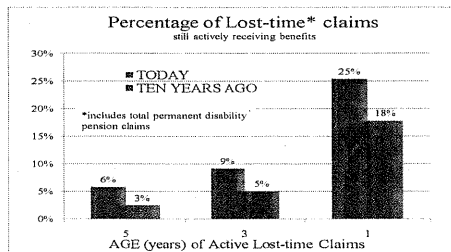


Washington's Workers' Compensation Funds

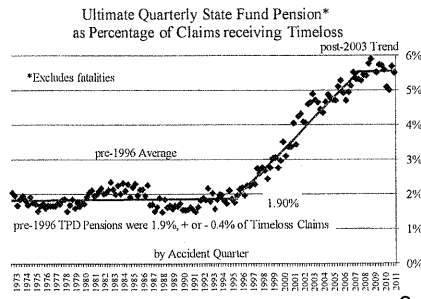
- **Accident Fund** pays partial wage replacement permanent disability benefits, and pensions for totally disabled workers and survivors of fatally injured workers, along with vocational retraining costs such as tuition and books. **Only employers** contribute to this fund.
- **Medical Aid Fund** pays for health care and private vocational services for injured workers. **Employers and workers** contribute equally to this fund.
- **Supplemental Pension Fund** pays for annual cost-of-living increases. **Employers and workers for both state fund and self-insured employers** pay equally into this fund.



Accident Fund Trends

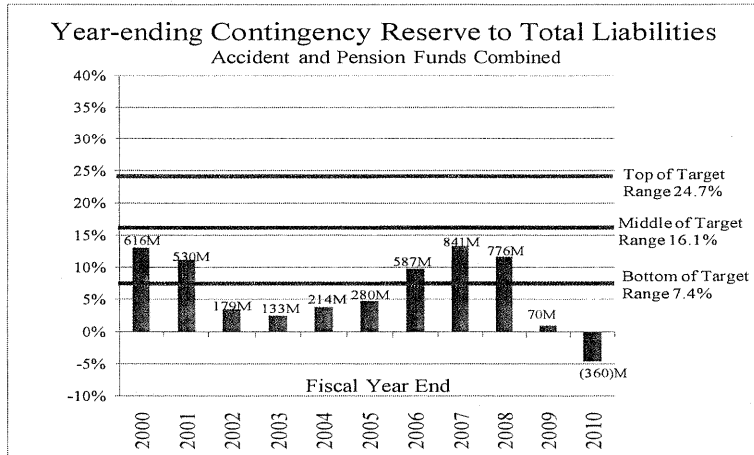


- Lost-time claims are staying in the system longer.
- Likelihood of a lost-time claim becoming a pension is rising.
- Pension claims account for half the benefit costs in our system.





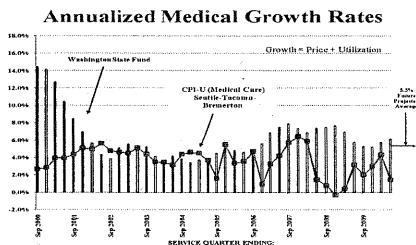
Accident Fund contingency reserve is below the lower policy limit



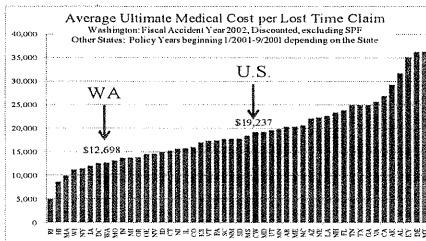
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Medical Aid Fund Trends



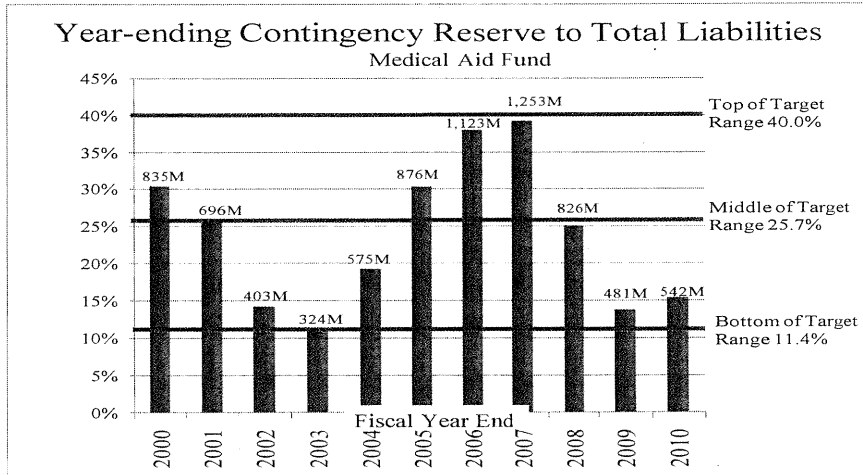
- L&I's annual medical growth rate dropped to 5.6% in the latest fiscal year, down from 7%.
- Fee schedules have been held constant for a second consecutive year in FY11.
- In comparison to other states, Washington has one of the lowest average medical costs per time-loss claim.
- Drug costs as a percent of all medical costs are under 6% in Washington and range from 14% to 18% in other states.



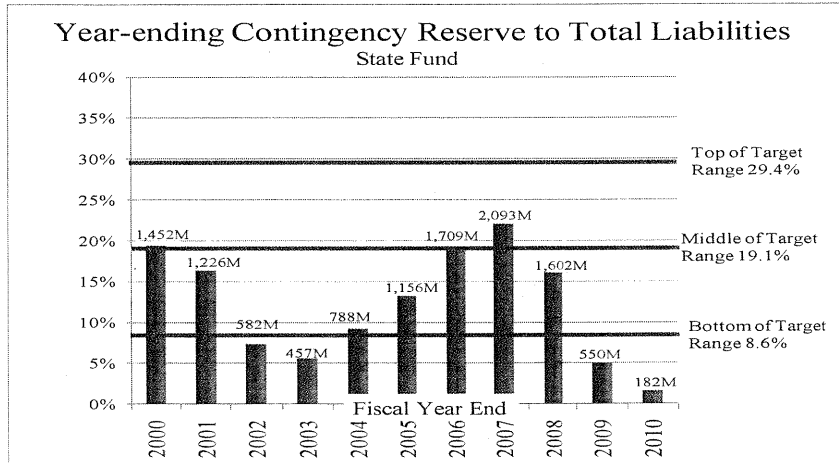
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Medical aid contingency reserve remains above the lower policy limit

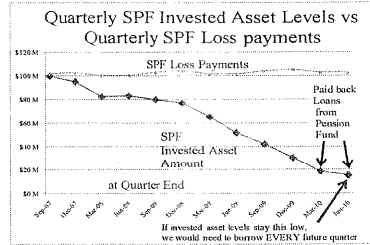
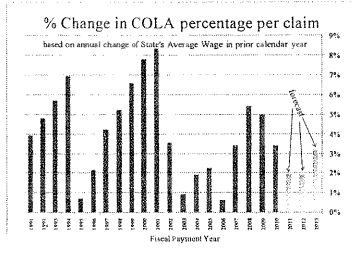


Overall contingency reserve is below the lower policy limit





Supplemental Pension Fund Trends



- SPF projections are based on expected changes in the state's average wage and changes in hours worked.
- Premiums collected have not kept up with losses paid during each quarter.
- Loans of \$15M (Q2) and \$25M (Q3) – paid back within the quarter.
- If invested levels stay this low, we need to borrow every quarter from the Pension Reserve Fund.



Rate History

Year	Indicated Rate	Adopted Rate
2011	17.8%	(Proposed) 12%
2010	19.4%	7.6%
2009	6.40%	3.10%
2008	6.10%	3.20%
2007*	-1.30%	-2.00%
2006	5.20%	0.00%
2005	15.10%	3.70%
2004	19.4%	9.80%
2003	40.5%	29.00%
2002	26.3%	1.80%
2001	16.3%	2.20%
2000	17.4%	0.00%

*Indicated rate plus a six-month rate holiday in which \$315M was given back to employers and workers.