

ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDY JOSEPHSON

MEMORANDUM

Date: May 13th 2019

To: Members of House Finance Committee

From: The Office of Representative Josephson

Re: HB 30 Workers' Compensation (Permanent Partial Impairment and Death Benefits);
Reduction in workers' compensation costs to employer per wage hour paid

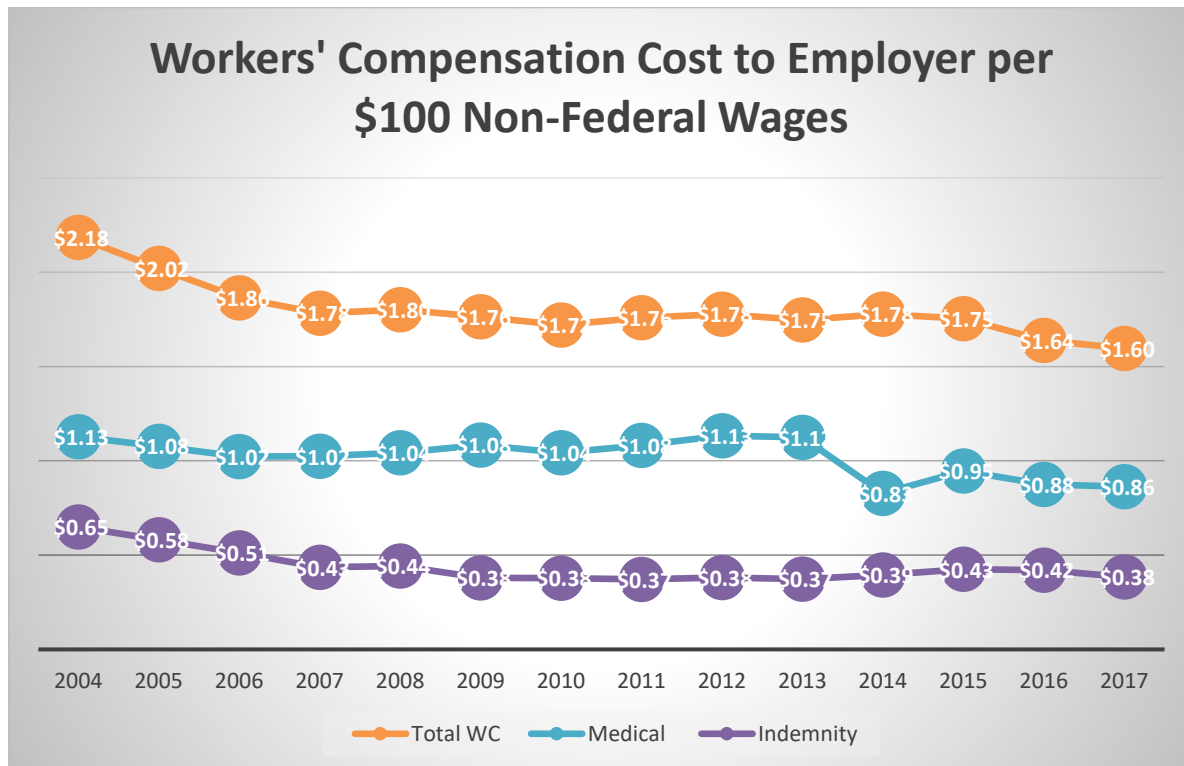
- For the last 15 years, there has been a steady decline in the cost of workers' compensation as percent of total wages paid in Alaska.
- Between 2004 and 2017 was a 27% decline in the amount spent by businesses on workers' compensation relating to total wages paid
 - In 2004, the total for non-federal wages were \$10,645,000,000 and the total paid in workers compensation was \$232,000,000- businesses spent 2.18% of wages on workers' compensation in total.
 - By 2017, the non-federal wages grew to \$16,257,000,000 but total workers' compensation payments only grew to \$259,500,000- about 1.6% of wages.
 - Put another way, wages grew by about 52.7% in this period, but workers' compensation payments grew by only 12%.
- The shift in the system is even more evident when examining the amount paid for medical benefits versus indemnity benefits (which includes both PPI and death benefits) under workers' compensation in the same period.
 - Medical benefits grew from \$120 million in 2004 to \$140.2 million in 2017 not keeping up with wage inflation but accounting for most of the growth in workers' compensation.
 - The change in medical benefits did not start in 2005 but rather was a result of the decrease in medical rates for workers' compensation since 2012-13.
 - Conversely, indemnity benefits shrunk from \$69 million in 2004 to \$62.4 million in 2017

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- Indemnity benefits, as a percentage of wages shrunk by 40.8%, from 65 cents to merely 38 cents per each \$100 of wages
- **Conclusion-** There has been a **26.9% reduction in workers' compensation cost/wages paid since 2004** and a much greater reduction in indemnity benefits, the money that actually goes to injured workers to keep them alive or to families for death benefits.



Data source: Alaska Department of Labor and Workforce Development,
Workers' Compensation Annual Reports, <http://labor.alaska.gov/wc/ar.htm>
Quarterly Census of Employment and Wages, <http://live.laborstats.alaska.gov/qcew/>