

# Alaska State Legislature

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Senator Bettye Davis

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## **Senate Labor and Commerce Committee**

### **SB 116 Workers' Compensation: Collective Bargaining/Mediation**

#### **Sponsor Statement**

Workers' compensation was developed to bring timely closure to injury cases arising on the job, benefiting both employees and employers. Injured workers were promised immediate medical attention, and employers were promised exemption from law suits and coverage at a reasonable cost. Today, in practice, keeping those promises is problematic.

Alaska consistently ranks among the highest cost states for workers' compensation premiums. In 2010, we were number two, after several years as number one. Much of that premium reflects rapidly rising medical costs that today account for 78 percent of total benefit costs. Two decades ago, that figure was 52 percent.

In an effort to reduce these costs, 11 states have enacted alternative dispute resolution (ADR) statutes, whereby employers and workers agree through collective bargaining to streamline certain claims resolution procedures. A study of one insurance company from California documented a 39.5 percent savings on average total claim costs, while the average time it took to resolve claims declined by 25 percent.

Similarly, in Minnesota, a 2009 Legislative Auditor's Evaluation Report estimated that for the years 2003-2005, insurers were required to pay 43 percent less per \$100 of payroll for the ADR workers' compensation program than for comparable construction workers in the state program.

SB 116 aims to lower workers' compensation system costs and to provide a more sure and timely resolution of cases. Alaskan employees and employers both stand to gain.