

ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDY JOSEPHSON

MEMORANDUM

Date: February 2, 2022
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 overall workers' compensation costs over time

Relating to Workers' Compensation Premiums-

- It is often cited that Alaska has the highest workers' compensation premiums in the United States. This is no longer true.
- Workers' compensation rates fell from 5th in the nation in 2019 to 10th in the nation in 2020.
- In 2021, Alaska businesses were expected to see another year of decreased workers' compensation insurance cost- With assigned risk rates falling 9.6% and voluntary loss costs decreasing by 14.9%. This meant a cumulative 13.4% reduction from the previous year.
- **Since 2015 these rates have been decreased by approximate 46%.**

Related to Workers' Compensation Benefit Payments-

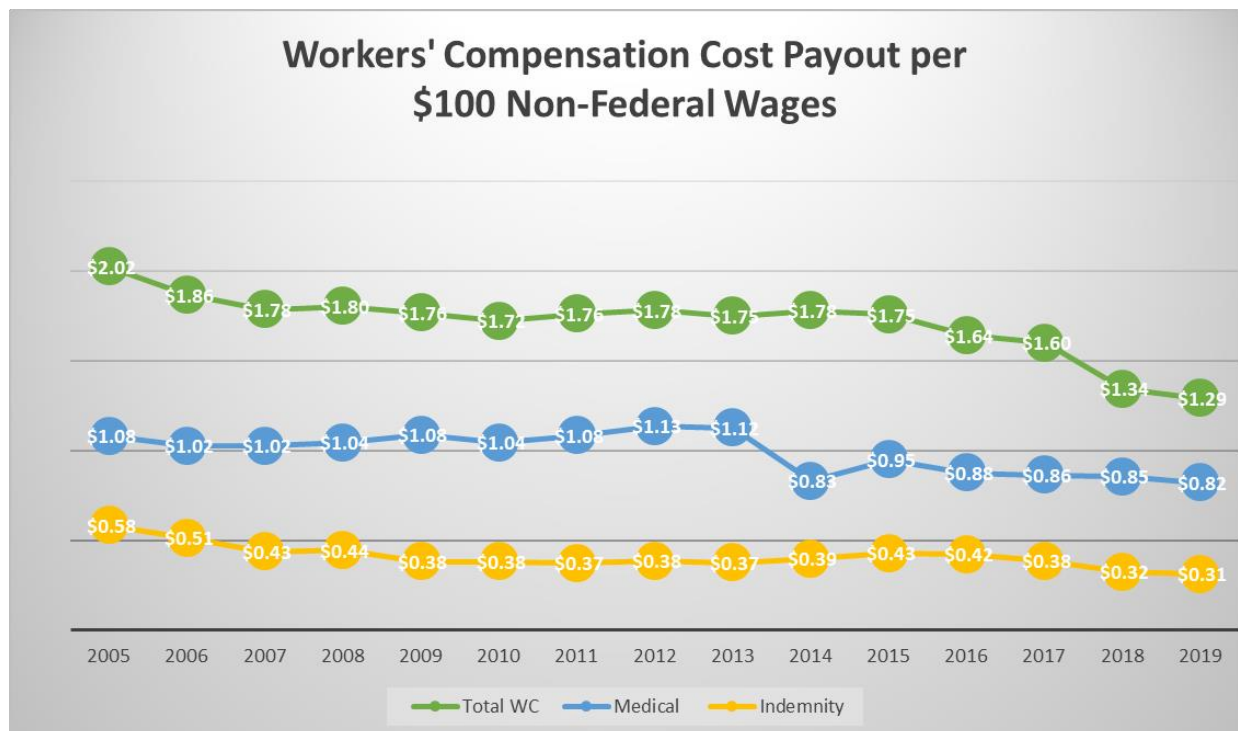
- **For the last 19 years, there has been a steady decline in the cost of workers' compensation as percent of total wages paid in Alaska.**
- The shift in the system is even more evident when examining the amount paid for medical benefits versus indemnity benefits (which includes both PPI and death benefits) under workers' compensation in the same period.
 - Medical benefits grew from \$120 million in 2004 to about \$147 million in 2019 not keeping up with wage inflation but accounting for most of the growth in workers' compensation.
 - The change in medical benefits costs do not start in 2005 but rather are a result of the decrease in medical rates for workers' compensation since 2012-13.
 - **Conversely, indemnity benefits shrunk from \$69 million in 2004 to \$52.4 million in 2017- PPI and death benefit both fall into this category.**

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Overall, there has been a notable reduction in workers' compensation cost/wages paid since 2004 and a much greater reduction in indemnity benefits, the money that goes directly to injured workers to keep them alive or to families for death benefits.



Data sources:

State of Oregon, Department of Consumer and Business Services, "Workers' compensation 2020 premium rate ranking by state," <https://www.oregon.gov/dcbs/cost/Pages/premium-index-rates.aspx>

Alaska Department of Labor and Workforce Development,

"Worker's Compensation rates to decrease in 2021," Bulletin no. 20-38, <https://labor.alaska.gov/news/2020/news20-38.htm>

Workers' Compensation Annual Reports, <http://labor.alaska.gov/wc/ar.htm>

Quarterly Census of Employment and Wages, <http://live.laborstats.alaska.gov/qcew/>