



ANALYSIS OF WORKERS COMPENSATION REEMPLOYMENT BENEFITS AS PROPOSED BY COMMITTEE SUBSTITUTE FOR ALASKA SENATE BILL 147

As Amended on March 4, 2024

NCCI evaluated the impact of Committee Substitute for Alaska Senate Bill 147 (CS for S 147) as amended on March 4, 2024, which proposes to modify various components of workers compensation reemployment benefits. NCCI estimates that the proposed changes, if enacted, may result in an impact between -0.1% (-\$0.2M¹) and +0.2% (+\$0.4M) on overall workers compensation (WC) system costs in Alaska.

There was no explicit effective date provided with this bill. The bill did indicate that the Act will take effect immediately, as prescribed under AS 01.10.070(c). In the below analysis, NCCI has assumed an effective date of July 1, 2024. Note that **NCCI's analysis is prospective only (i.e., for accidents occurring on or after the effective date of the bill if ultimately enacted). To the extent the changes in this bill are enacted and extend to accidents occurring prior to its effective date, retroactive cost impacts may arise.**

Summary of Alaska CS of S 147

AS 23.30.041 sets out a statutory process and rules for providing rehabilitation and reemployment services to injured workers that meet prescribed eligibility requirements. If the employee is totally unable to return to their employment for 60 consecutive days as a result of a compensable injury, the employee or employer may request an eligibility evaluation for reemployment benefits. If the employee is totally unable to return to work for 90 consecutive days as a result of the injury, the administrator "shall" order an eligibility evaluation (unless a stipulation of eligibility was submitted). CS of S 147 proposes to remove the requirement for the administrator to order an eligibility evaluation 90 days after injury by replacing the word "shall" with "may." CS of S 147 proposes to require the administrator to order an eligibility evaluation 120 days after injury.

If the worker elects to use employer-provided reemployment services, a rehabilitation specialist shall prepare and provide a complete reemployment plan to the employee and employer. The cost of the plan, borne solely by the employer, may not currently exceed \$13,300. CS of S 147 proposes to increase this cap to \$22,150, an increase of +66.5% which would be adjusted for inflation by the department not less than once every five years. Additionally, CS of S 147

¹ The estimated dollar impact is displayed for illustrative purposes only and calculated as the percentage impact(s) multiplied by 2022 written premium of \$183M from NAIC Annual Statement data for Alaska. This figure does not include self-insurance, the policyholder retained portion of deductible policies, or adjustments for subsequent changes in premium levels. The use of premium as the basis for the dollar impact assumes that expenses and other premium adjustments will be affected proportionally to the change in benefit costs. The dollar impact on overall system costs inclusive of self-insurance is estimated to be between -\$0.2M and +\$0.5M, where data on self-insurance is approximated using the National Academy of Social Insurance's February 2024 publication "Workers' Compensation: Benefits, Costs, and Coverages, 2021."



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proposes to include an additional benefit of up to \$4,000 for the employee, paid by the employer, to cover ancillary costs associated with the reemployment plan. These benefits would include costs incurred for specialized job modification devices or services and reasonable travel and relocation expenses associated with searching for new employment, returning to work in a new location, and attendance at an on-the-job training program. These additional benefits combined with the cost of the reemployment plan are not to exceed the proposed limit of \$22,150.

CS of S 147 also includes recommended changes to various administrative provisions in the statute.

Actuarial Analysis

As noted in the summary section, if enacted CS of S 147 would:

- Modify the timing of the administrator's role in ordering an eligibility evaluation
- Raise the current reemployment benefit cap of \$13,300 to \$22,150.

In Alaska, reemployment costs provided per AS 23.30.041 can be divided into five categories:

- Employee Eligibility Evaluation Costs
- Rehabilitation Benefit Costs per AS 23.30.041(g)
- Rehabilitation Benefit Costs per AS 23.30.041(k)
- Reemployment Plan Costs
- Rehabilitation Specialist and Plan Monitoring Fees

The proposed changes in CS of S 147 have the potential to impact several of the categories above.

Employee Eligibility Evaluation Costs

CS of S 147 proposes to replace the word "shall" with "may" for the administrator's ordering of an eligibility evaluation 90 days after injury. CS of S 147 proposes to require the administrator to order an eligibility evaluation 120 days after injury. Stakeholder feedback indicates that the vast majority of evaluations ordered are a result of the 90-day requirement. Further, only approximately 15% to 25% of ordered evaluations are deemed eligible for AS 23.30.041 benefits². Providing the administrator with the ability to wait longer to order an eligibility evaluation—based on a review of case-specific information—could reduce the costs of evaluations to the system. Using data from recent Alaska Department of Labor & Workforce

² Based on Alaska DLWD annual report data for Calendar Years 2018 to 2022.



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Development (DLWD) annual reports, NCCI estimates that eligibility evaluation costs make up approximately 25% of total reemployment benefits³. **Assuming that 25% to 50% of cases that would typically be deemed ineligible for reemployment benefits may no longer be submitted for evaluation under the proposal between 90 and 120 days after injury, total reemployment benefit costs could decrease between 5.1% and 10.1%.**

Plan Development Costs & Rehabilitation Specialist and Plan Monitoring Fees

The proposed increase in the current reemployment plan benefit cap (+66.5%) would not be expected to affect all cases deemed eligible for reemployment benefits. For many workers, similar plans featuring such options as vocational training or online courses may still be deemed appropriate. As such, the plan cost for these workers would not be expected to notably change. However, for some workers, the increase in the cap may provide greater retraining options. This may increase plan development costs, lengthen the duration of plans, and possibly affect lump sum settlement amounts. The plan costs for those workers that utilize the additional benefit (i.e., up to \$4,000) would be expected to increase even though these workers may not otherwise be impacted by the proposed increase in the cap.

Using data from recent Alaska DLWD annual reports, NCCI estimates that rehabilitation plan development costs make up approximately 7% of total reemployment benefits⁴. For this analysis, NCCI assumed that one-third to one-half of workers could see a modification in their plan resulting in an increase that is proportional to the proposed cap change (+66.5%) and two-thirds to one-half of workers could see an increase in their plan that is relating to the addition of the \$4,000 benefit ranging from 15.0% to 30.0%. **This translates to a potential impact on reemployment plan costs of +32.2% [(+66.5% x 33.3%) + (+15.0% x 66.7%)] to +48.3% [(+66.5% x 50%) + (+30.0% x 50%)]. Hence, if these changes were to be ultimately enacted, total reemployment benefit costs could potentially increase by +2.3% (=+32.2% x 7%) to +3.4% (=+48.3 x 7%).**

Note that a commensurate increase in certain other reemployment benefits would also be expected. Specifically, costs that are tied to the duration of the plan—such as rehabilitation specialists and plan monitoring fees—would be expected to increase along with the cost of the rehabilitation plan. For this analysis, NCCI assumed that the increase in these other reemployment benefits would be approximately 25% to 50% of the estimated change in reemployment plan costs. That is, rehabilitation specialists and plan monitoring fees may increase between +8.0% (=+32.2% x 25%) and +24.2% (=+48.3% x 50%). **As rehabilitation**

³ Based on Calendar Years 2018 to 2022.

⁴ Uses an unweighted average of the shares for Calendar Years 2018 through 2022.



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specialist and plan monitoring fees represent approximately 8% of total reemployment benefits⁴, if enacted, these changes may result in an additional impact of between +0.6% (=+8.0% x 8%) and +1.9% (=+24.2% x 8%) on total reemployment benefit costs in the state.

All Other Reemployment Benefit Costs

For plans that are lengthened, benefits provided under AS 23.30.041(k) would be expected to increase. Rehabilitation benefits costs under AS 23.30.041(k) are estimated to comprise roughly 30% of total reemployment benefits in the state based on Alaska DLWD annual report data. Stakeholder feedback indicates that retraining plans frequently begin after maximum medical improvement has been achieved. Once permanent partial impairment (PPI) benefits have been exhausted, workers are eligible for additional compensation while participating in a retraining plan per AS 23.30.041(k). Hence, if the duration of retraining plans increase, the amount of these additional compensation benefits would be expected to increase as well. An increase in the duration or options offered to the worker may also result in higher lump sum settlement amounts currently reported as AS 23.30.041(g) costs.

In this analysis, NCCI assumed that AS 23.30.041(g)⁵ & (k) costs—which represent approximately 57% of total reemployment benefits—may increase between +5% and +10% if this proposal is ultimately enacted. This translates into a potential impact of +2.8% (=+5% x 57%) to +5.7% (=+10% x 57%) on total reemployment benefit costs in the state. Note that given limited detailed data is available for this segment of costs, this estimate is more directional in nature. A precise estimate cannot be objectively measured and could be greater than the range displayed.

All Provisions Combined

As summarized in the table below, NCCI estimates that the combined impact of the changes proposed by CS of S 147 could be -4.4% to +6.0% on total reemployment benefit costs⁶.

Provision	Impact on Reemployment Benefit Costs	
	Lower Estimate	Upper Estimate
Employee Eligibility Evaluation Costs	-10.1%	-5.1%
Plan Development Costs	+2.3%	+3.4%
Rehabilitation Specialist and Plan Monitoring Fees	+0.6%	+1.9%
All Other Reemployment Benefit Costs	+2.8%	+5.7%
Combined	-4.4%	+6.0%

⁵ Excluding formula-based job dislocation benefits.

⁶ Due to interaction effects, the combined impacts may not equal the sum of the individual components.



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As reemployment costs are estimated to represent approximately 10% of indemnity benefit costs based on data from Alaska DLWD annual reports⁷, this proposal may impact indemnity benefits costs between -0.4% ($= -4.4\% \times 10\%$) and 0.6% ($= +6.0\% \times 10\%$). Indemnity costs in Alaska are projected to comprise 35% of total benefits costs⁸. **Therefore, if CS of S 147 is enacted, overall WC system costs in Alaska could change between -0.1% ($= -0.4\% \times 35\%$) and +0.2% ($= +0.6\% \times 35\%$).**

	Lower Estimate	Higher Estimate
1.) Est. Impact on Reemployment Benefit Costs	-4.4%	+6.0%
2.) Reemployment Benefits as a % of Indemnity Benefits Costs	10%	10%
3.) Est. Impact on Indemnity Benefit Costs = (1) x (2)	-0.4%	+0.6%
4.) Indemnity Benefits as a % of Total Benefit Costs	35%	35%
5.) Est. Impact on Overall WC System Costs = (3) x (4)	-0.1%	+0.2%

Other Considerations

Raising the cap on development plan costs and having the reemployment benefits administrator provide greater guidance to employers/insurers on methods to potentially shorten the time to return to work could have notable impacts on injured workers completing a rehabilitation plan in the future. Any potential impact from the enactment and implementation of such guidance and services that results in improved return-to-work outcomes would be realized in future claim experience and reflected in subsequent NCCI loss cost filings in Alaska, as appropriate.

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⁷ Based on data from Calendar Years 2018 to 2022 and adjusted to reflect anticipated increases in indemnity benefit costs resulting from the enactment of Senate Bill 131, effective January 1, 2023.

⁸ Indemnity/Medical split based on financial data from Policy Years 2017, 2018, 2019, 2020, and 2021 trended to 07/01/2024 (assumed effective date).