

# FISCAL NOTE

**STATE OF ALASKA**  
**2005 LEGISLATIVE SESSION**

Fiscal Note Number: 16  
 Bill Version: CCS SB 130  
 (S) Publish Date: 5/13/2005

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title An act relating to workers' compensation benefits RDU Risk Management  
 Component Risk Management  
 Sponsor Rules  
 Requester By request of the Governor Component No. 71

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	*	*	*	*	*	*

Estimate of any current year (FY2005) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

As a self insured employer, the state will experience significant savings in future claims costs due to the changes proposed in this comprehensive reform to workers' compensation benefits and adjudication process.

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Prepared by: Kevin Jardell Phone 465-4021  
 Division Governor's Legislative Director Date/Time 5/13/05 7:34 PM  
 Approved by: Kevin Jardell Date 5/13/2005  
 Agency Governor's office

**ANALYSIS CONTINUATION**

Many provisions will provide savings to the state's self insured workers' compensation claims...the more significant changes include but not limited to the following:

**workers' compensation appeals commission** - streamlining adjudication process thereby reducing expenses presently incurred in resolving disputes in determining claim and benefit obligations.

**ability to settle** - if claimant is represented by an attorney licensed in Alaska settlements no longer need to be reviewed and approved by the board.

**medical fee schedule, generic drug, medical treatment guidelines, and ability to create PPO's** - reducing skyrocketing costs in the medical services component of workers' compensation claims expense.

**coordination of disability benefits** - eliminates present situation where injured employees may receive dual remedies that exceed pre-injury spendable wage.

**fraud prevention** - increased penalty and prosecution will reduce fraudulent claims and their inherent additional expense

If RM was authorized continuing funds for each FY (held in reserve until all outstanding liabilities from that period are paid - as an insurance carrier operates), then immediate reduction of cost of risk assessments to each agency - (a negative fiscal note) could be provided to reflect cost savings expected within these reforms.

However, the state funds its claims costs on a "cash flow" basis (appropriating only the amounts expected to be paid the next fiscal year) collected solely through interagency receipts (cost of risk allocations) assessed each agency based on relative share of exposure (payroll) and experience (past claims).

In time, RM cost of risk allocations will reflect the cost reductions generated by these reform measures as rates are developed from actual claims expenses realized.