The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the General Government Appropriations Committee

BILL: PCS/SB 1512

INTRODUCER: General Government Appropriations Committee

SUBJECT: State Risk Management Programs

DATE: March 16, 2010 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Frederick	DeLoach	GA	**Pre-meeting**
2.			WPSC	
3.			RC	
4.				
5.				
6.				

I. Summary:

The bill requires the Division of Risk Management within the Department of Financial Services to utilize loss prevention results in addition to claims history as part of the method for calculating state agency risk management premiums. The bill also requires participating agencies with 2,500 or more full time employees to establish and maintain return-to-work programs for injured workers receiving workers' compensation benefits.

The bill authorizes the division to evaluate each agency's loss prevention program at least once every five years and to produce reports recommending improvements. Additionally, beginning in 2012, the bill requires the division to submit, as part of its annual report, an analysis of agency return-to-work efforts, including return-to-work performance data.

This bill substantially amends sections 284.01, 284.36, and 284.50, Florida Statutes.

II. Present Situation:

Method of Premium Calculation

Each fiscal year, the Division of Risk Management determines agency premium requirements using retrospective rating, which primarily incorporates the loss experience for the past several years. The experience portion of the premium encompasses a three-year window for workers' compensation, general liability, and automobile liability and a ten-year window for federal civil rights incidents (by date of incident).

The exposure portion of the premium represents the exposure to risk within each agency for the upcoming fiscal year. For workers' compensation, general liability, and federal civil rights insurance coverage, this risk exposure is defined by the number of budgeted full time equivalent positions (FTEs), other personal services positions, and volunteers covered by the state's self-insurance program that equal one full-time position. For automobile liability, the exposure is determined by the number of vehicles covered by the program. Each year, agencies provide the division with the most current information available regarding FTEs and vehicles for the upcoming fiscal year through an Exposure Base Inquiry form.

The experience and exposure information is recorded in the division's Claims Administration System and a cost of risk allocation is performed. This calculation allocates each agency's portion of the state's actuarially-projected self-insurance cost in the upcoming fiscal year.

During Fiscal Year 2009-2010, the calculation method was slightly modified by adding a calculation for a portion of the premium, which provides a greater weighting factor to the most recent loss experience (claims reported and loss payments on those claims) for each state agency. Under the new methodology, each agency's premium is multiplied by 0.8 to arrive at 80 percent of the agency's originally calculated premium (retrospective). The remaining 20 percent of each agency's premiums are split into two ten percent portions. Using the latest full fiscal year's data on number of new claims and costs incurred by the agency, half of the remaining premium (ten percent of the total) is allocated based on a "new claims reported" methodology and the other half of the premium is allocated based on a "new loss payments" methodology.

Return to Work Programs

Agency participants in the state's self insurance program currently have no responsibility to engage in loss prevention activities, including return to work programs. While lost time workers' compensation claims account for only ten percent of the states' self insurance program, those claims account for 80 percent of workers' compensation claims costs. Agencies currently have no incentive to reduce claims cost or to return the injured workers to work.

Section 216.251(2)(b)2., F.S., currently authorizes agencies to maintain return-to-work programs but does not require them to do so. While many of the larger agencies have programs in place, according to the division, about one-third of all participating agencies do not have programs.

III. Effect of Proposed Changes:

The bill amends s. 284.01, F.S., to authorize the division to calculate premiums for state agencies based on the results of how well each agency is performing loss prevention metrics rather than solely on their claims loss history, in order to increase agency accountability in the area of preventing losses.

The bill amends s. 284.36, F. S., to require the division to compute base premium charges on a retrospective rating arrangement based on actual losses in addition to loss prevention results.

The bill amends s. 284.50, F.S., to require participating agencies with 2,500 or more full time positions to establish and maintain return-to-work programs for employees receiving workers' compensation benefits, with the goal of enabling injured workers to remain at work or return to work to perform alternate duties as specified by a treating physician. This section requires the division to evaluate the extent of and the effectiveness of each agency's loss prevention program at least once every five years and to produce a report recommending any needed improvements. Beginning in 2012, the bill requires the division to submit, as part of its annual report, an analysis of all agency return-to-work efforts including return-to-work performance data.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The Division of Risk Management estimates that one third of the participating agencies in the states' self insurance program do not have active return to work programs. However, all of these agencies have fewer than 2,500 employees and the incidence of workers' compensation claims has been small. The fiscal impact of establishing programs in these agencies is indeterminate, but is estimated by the Division of Risk Management to be minimal, as responsibilities for coordinating such programs in smaller agencies have generally been assigned to existing personnel.

It is estimated by the Division of Risk Management that a five percent reduction of casualty loss payments would result in an annual savings of $7,475,000, with diminishing returns over time.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.