

C94I00 Subsequent Injury Fund

Program Description

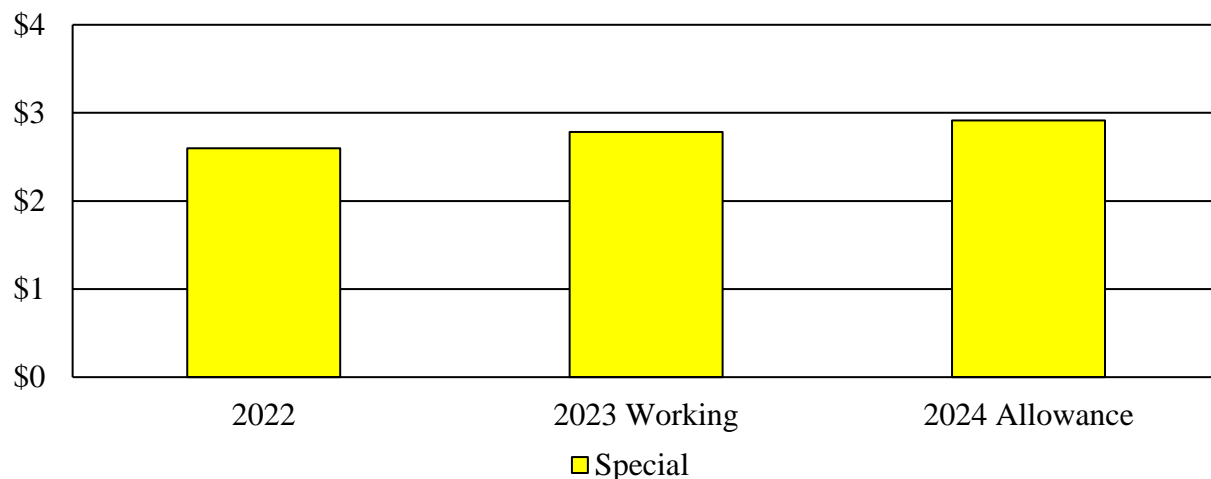
The Subsequent Injury Fund (SIF) compensates injured workers whose pre-existing injuries, diseases, or congenital conditions are substantially worsened by a current injury. SIF receives special funds from a 6.5% assessment on (1) awards against employers or insurers for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements.

The purpose of SIF is to encourage the employment of disabled individuals by limiting an employer's liability should a subsequent occupational injury render an individual permanently disabled or result in death. Employers or their insurers are liable only for damage caused by the current workplace injuries. SIF incurs the additional liability for damage resulting from the combined effects of all injuries and conditions. The SIF mission addresses the need to:

- efficiently defend SIF resources against inappropriate use;
- provide monetary benefits to qualified disabled workers injured on the job in accordance with awards passed by the Workers' Compensation Commission (WCC); and
- maintain the adequacy and integrity of the SIF fund balance.

Operating Budget Summary

Fiscal 2024 Budget Increases \$130,672, or 4.7%, to \$2.9 Million (\$ in Millions)



Note: The fiscal 2023 working appropriation includes deficiency appropriations including this agency's share of a deficiency appropriation budgeted in the Statewide Account within the Department of Budget and Management (DBM). Fiscal 2024 salary enhancements are budgeted in the Statewide Account within DBM.

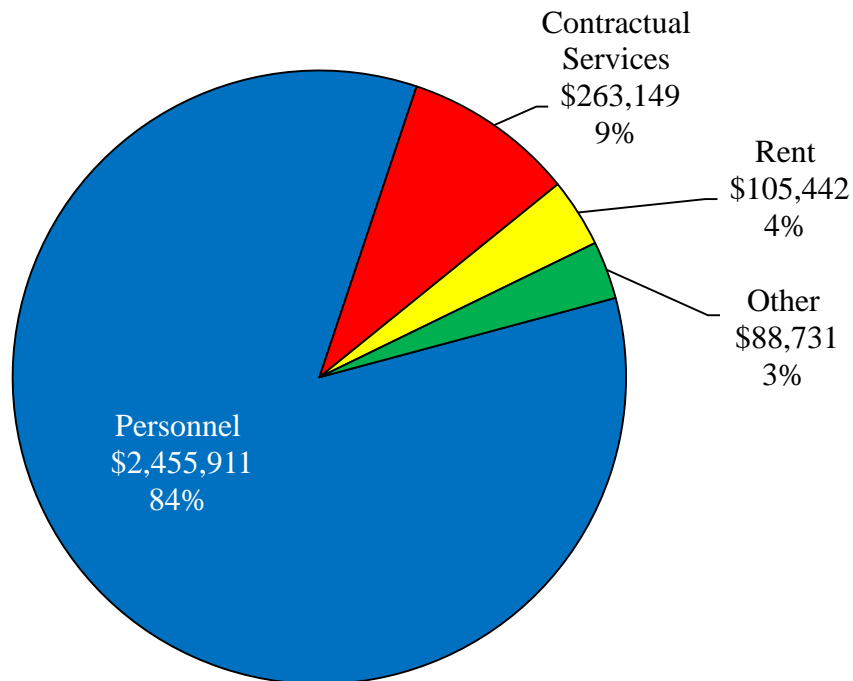
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Fiscal 2024 Overview of Agency Spending

SIF's costs are driven almost entirely by personnel, as shown in **Exhibit 1**. Of the agency's \$2.9 million allowance, \$2.4 million, or 84%, is for personnel costs.

Exhibit 1
Overview of Agency Spending
Fiscal 2024 Allowance



Source: Governor's Fiscal 2024 Budget Books

Proposed Budget Change

The fiscal 2024 allowance for SIF increases by \$130,672, or 4.7%, as shown in **Exhibit 2**. Nearly all of the increase is due to personnel costs.

Exhibit 2
Proposed Budget
Subsequent Injury Fund
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Total</u>
Fiscal 2022 Actual	\$2,599	\$2,599
Fiscal 2023 Working Appropriation	2,783	2,783
Fiscal 2024 Allowance	<u>2,913</u>	<u>2,913</u>
Fiscal 2023-2024 Amount Change	\$131	\$131
Fiscal 2023-2024 Percent Change	4.7%	4.7%
Where It Goes:		<u>Change</u>
Personnel Expenses		
Employee and retiree health insurance		\$83
Annualization of November 2022 4.5% COLA		29
Other fringe benefit adjustments		10
Regular earnings		-2
Other Changes		
Contractual employee costs, including annualization of November 2022 4.5% COLA.....		11
Total		\$131

COLA: cost-of-living adjustment

Note: Numbers may not sum to total due to rounding.

Personnel Data

	<u>FY 22</u> <u>Actual</u>	<u>FY 23</u> <u>Working</u>	<u>FY 24</u> <u>Allowance</u>	<u>FY 23-24</u> <u>Change</u>
Regular Positions	17.00	17.00	17.00	0.00
Contractual FTEs	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	18.00	18.00	18.00	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/22	1.00	5.88%
Vacancies Above Turnover	1.00	

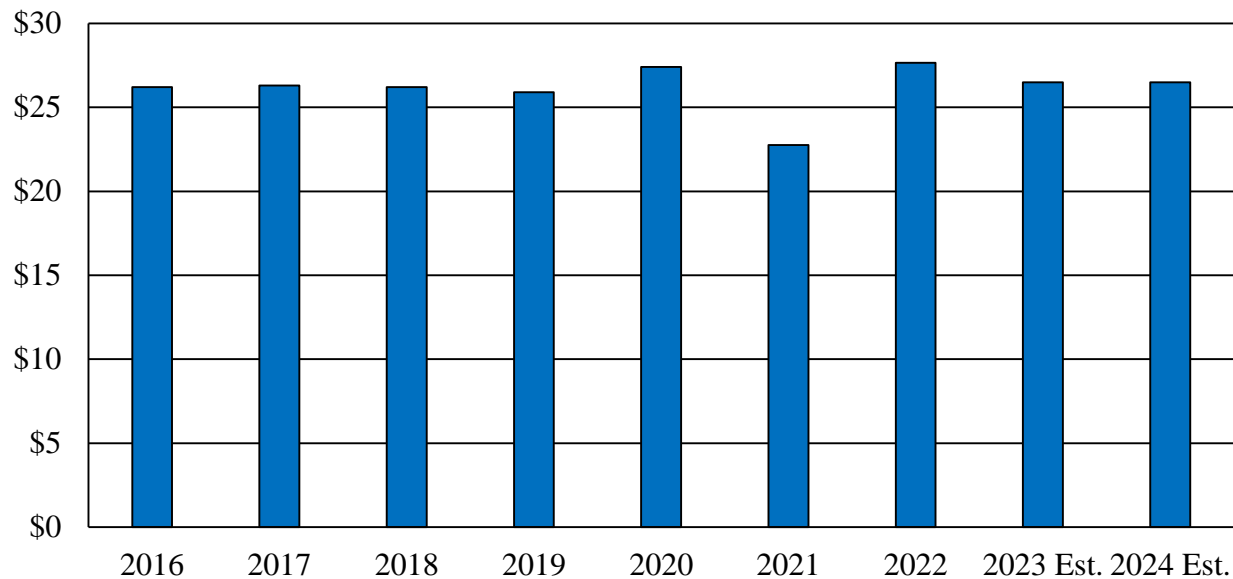
Key Observations

1. Assessment Revenue and Fund Balance Resume Growth Levels

SIF receives special funds from an assessment on awards against employers or insurers for permanent disability or death and amounts payable by employers or insurers under settlement agreements. Chapter 495 of 2020 temporarily reduced the size of the assessment from 6.5% to 5.5% for fiscal 2021 only. The funds were diverted to assist the Uninsured Employers' Fund with its low fund balance.

As shown in **Exhibit 3**, the return to the 6.5% assessment rate in fiscal 2022 resulted in assessment revenues of \$27.7 million, an increase of \$4.9 million over fiscal 2021.

Exhibit 3
Subsequent Injury Fund Assessment Revenue
Fiscal 2016-2024 Est.
(\$ in Millions)



Source: Subsequent Injury Fund

In addition to providing for the agency's operating expenses, the assessment is designed to build reserves for the payment of benefits to qualified disabled workers injured on the job in accordance with awards approved by WCC. **Exhibit 4** shows the balance in the fund since the end of fiscal 2010.

Exhibit 4
Subsequent Injury Fund History
Fiscal 2010-2023 Est.

<u>Fiscal Year</u>	<u>Balance</u>	<u>Percent Change</u>
2010	\$70,754,896	8.24%
2011	73,025,353	3.21%
2012	78,107,299	6.96%
2013	80,989,370	3.69%
2014	81,243,776	0.31%
2015	82,185,258	1.16%
2016	85,259,943	3.74%
2017	90,670,459	6.35%
2018	95,294,285	5.10%
2019	100,509,872	5.47%
2020	106,783,917	6.24%
2021	108,272,785	1.39%
2022	114,264,715	5.53%
2023 Est.	118,569,510	3.77%

Source: Subsequent Injury Fund

Fund growth results when revenue from assessments exceeds payments from the fund and agency expenses. The fund has grown at an average annual rate of 4% over the last decade; despite a reduction in assessment revenue in fiscal 2021, the fund balance still grew by 1.4%, to \$108.3 million, at the close of fiscal 2021 and resumed a more typical growth rate of 5.5% in fiscal 2022, closing at \$114.3 million.

SIF holdings are intended to provide the source of capital that offsets future liabilities whose value is calculated periodically by an actuarial study. The most recent study, issued in January 2022, found that SIF had liabilities between \$314.8 million and \$548.2 million, depending on assumptions about the mortality of recipients and discount rate. The authors of the study, Lewis and Ellis Actuaries and Consultants, made several recommendations regarding the assessment and fund, including maintaining the current assessment rate and performing actuarial studies every 2 to 3 years, rather than the current 5- or 6-year schedule. The study also noted that there is a risk of the need for an increase in the assessment rate in the next 10 years. **SIF should comment on the appropriateness of its assessment rate and its future plans for actuarial studies.**

2. Cost Per Claim Continues Upward Trend

One gauge of administrative productivity is operating cost per claim. Different cases merit different costs in terms of medical exams, depositions, and other legal fees; **Exhibit 5** shows the average cost per claim. The average cost per claim has been on a steady upward trajectory. In fiscal 2022, the average cost per claim was \$3,828. While caseloads have declined, payment rates have increased, which leads to higher SIF costs for negotiated settlement agreements. Despite the increasing cost per claim, the ratio of expenses to collections remains below one, meaning the fund balance continues to grow.

Exhibit 5
Subsequent Injury Fund Administrative Costs
Fiscal 2016-2024 Est.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 Est.</u>
Operating Budget Cost Per Resolved Claim	\$2,477	\$2,820	\$2,792	\$3,100	\$3,546	\$3,773	\$3,828	\$4,098
Ratio of Fund Expenditures to Total Collections	0.887:1	0.804:1	0.832:1	0.812:1	0.783:1	0.935:1	0.787:1	0.844:1

Source: Governor's Fiscal 2024 Budget Books

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
Object/Fund Difference Report
Subsequent Injury Fund

<u>Object/Fund</u>	<u>FY 22 Actual</u>	<u>FY 23 Working Appropriation</u>	<u>FY 24 Allowance</u>	<u>FY 23 - FY 24 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	17.00	17.00	17.00	0.00	0%
02 Contractual	1.00	1.00	1.00	0.00	0%
Total Positions	18.00	18.00	18.00	0.00	0%
Objects					
01 Salaries and Wages	\$ 2,163,261	\$ 2,277,343	\$ 2,455,911	\$ 178,568	7.8%
02 Technical and Special Fees	90,264	140,474	152,531	12,057	8.6%
03 Communication	15,423	17,300	18,300	1,000	5.8%
04 Travel	13,167	26,500	25,500	-1,000	-3.8%
08 Contractual Services	157,279	111,167	110,618	-549	-0.5%
09 Supplies and Materials	15,682	13,750	14,500	750	5.5%
10 Equipment – Replacement	1,027	0	0	0	0.0%
11 Equipment – Additional	13,237	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	12,000	12,000	12,000	0	0%
13 Fixed Charges	117,346	122,068	122,373	305	0.2%
14 Land and Structures	534	1,800	1,500	-300	-16.7%
Total Objects	\$ 2,599,220	\$ 2,722,402	\$ 2,913,233	\$ 190,831	7.0%
Funds					
03 Special Fund	\$ 2,599,220	\$ 2,722,402	\$ 2,913,233	\$ 190,831	7.0%
Total Funds	\$ 2,599,220	\$ 2,722,402	\$ 2,913,233	\$ 190,831	7.0%

Note: The fiscal 2023 appropriation does not include deficiencies. The fiscal 2024 allowance does not include contingent reductions or cost-of-living adjustments.

C94100 – Subsequent Injury Fund