

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

SENATE SELECT COMMITTEE ON WORKERS' COMPENSATION

Call to Order: By Senator Tom Towe, on April 5, 1993, at 3:50 PM

ROLL CALL

Members Present:

Sen. Tom Towe, Chair (D)
Sen. Gary Forrester, Vice Chair (D)
Sen. Gary Aklestad (R)
Sen. Sue Bartlett (D)
Sen. Jim Burnett (R)
Sen. Harry Fritz (D)
Sen. John Harp (R)
Sen. John Hertel (R)
Sen. Bob Hockett (D)
Sen. Tom Keating (R)
Sen. J.D. Lynch (D)
Sen. Bill Wilson (D)

Members Excused: None.

Members Absent: None.

Staff Present: Susan Fox, Legislative Council
Kelsey Chapman, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: None.
Executive Action: HB 453, HB 511, HB 587

EXECUTIVE ACTION ON HB 453

Motion:

Senator Harp moved HB 453 BE CONCURRED IN.

Discussion:

Senator Towe said there were some amendments.

Motion\Vote:

Senator Harp made a substitute motion that HB 453 be amended (hb045302.asf). The Motion CARRIED UNANIMOUSLY, with Senator Burnett and Senator Hertel not present for the vote.

Discussion:

Senator Towe explained that there had been a concern that "10 times" penalty payment was too steep a penalty for fraud. He continued that there might be an upper limit of \$50,000 dollars amended into HB 453.

Motion\Vote:

Senator Lynch moved HB 453 be amended so the penalty would not exceed \$50,000 (on page 2, line 11). The motion CARRIED UNANIMOUSLY, with Senator Hertel not present for the vote.

Motion\Vote:

Senator Harp moved HB 453 BE CONCURRED IN AS AMENDED. The motion CARRIED UNANIMOUSLY, with Senator Hertel voting YES by proxy.

Senator Forrester assigned to carry the Bill on the Senate Floor.

EXECUTIVE ACTION ON HB 511

Motion:

Senator Lynch moved that HB 511 BE CONCURRED IN.

Discussion:

Senator Aklestad expressed his concern about the fiscal note.

Senator Towe said that the records that would aid in finding out what was wrong with the old fund were not existent. He said that the new data system would insist from this point forward that there would be the information and records needed to properly evaluate everything in the workers' compensation system.

Senator Harp said there were many things the PLAN 1 and PLAN 2 insurers were doing internally, and thus managing better than the PLAN 3's. He said that he had asked the question of whether there was any way to get credits back, or a way to have the costs assessed. He wondered what HB 511 would accomplish. There was always information lacking in the workers' compensation system, and Senator Harp said he did not know if HB 511 would improve this. He also noted the high cost of implementing the Bill.

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Senator Towe said standardizing the form would be helpful, so that information from all plans could be used. He said that the Montana Department of Labor and Industry (DOLI) had said it would try to standardize this so it would be fair.

Senator Harp stated he wished there was a way that everyone could work with the same forms, but that he did not see how this bill was addressing that.

Senator Towe told the Committee another section could be added to HB 511 to address Senator Harp's concerns, saying that DOLI would work with the insurers and self-insurers for the purpose of making uniform reporting requirements.

Senator Lynch asked why this would have to be in law.

Senator Bartlett said the language on page two on the avoidance of duplication and inconsistency may provide that DOLI work to make the system fair to all insurance plans.

Senator Keating said on page 3, line 1 might provide that DOLI coordinate with private data collections.

Senator Towe said this was not as clear as it could be.

Senator Keating asked if DOLI's existing computer setup could be compatible with other agencies' systems. Chuck Hunter answered that the data elements were the same, but there would have to be some reformatting and reprogramming, adding a \$17,000 programming cost to the fiscal note.

Senator Keating asked if this cost was reflected in the fiscal note. Mr. Hunter answered that it was a cost that was included in the fiscal note.

Senator Towe asked Jim Murphy, State Fund, and Nancy Butler, general council, State Fund, if they would like to address this question. He asked if HB 511 was adopted without amendments, would the Committee have the assurance that the State Fund would make sure that there was unified and fair data collection. Mr. Murphy said Mr. Hunter would be better able to answer this question.

Senator Towe asked Mr. Hunter if DOLI would be the department to be collecting the information. Mr. Hunter answered this was correct.

Senator Towe asked for his assurance that there would be uniform reporting requirements to bring in the private and self-insurers. Mr. Hunter answered that this was the intent of the Montana Department of Labor and Industry. He said the intent was to make compliance as easy as possible for all plans involved, while gathering the information needed to assess the system.

Senator Keating asked if this meant that the State Fund was now an insurer that DOLI was making sure it complied with state law. Mr. Hunter said the purpose was to gather information for policy makers, so as to understand what was happening. He said DOLI had no regulatory authority to track the State Fund as Senator Keating suggested.

Senator Keating asked what HB 511 would do that the actuarials were not doing already. Mr. Hunter said HB 511 would not look at the reserve data to determine what the rates would be, but instead at other statistical data.

Senator Keating asked if the private companies would have to report that to the state under HB 511. Mr. Hunter answered that they would report some claims information to DOLI.

Senator Keating asked if the self-insurers would report claims data to the state. Mr. Hunter answered that this was the same. Senator Keating said he was trying to understand how this was going to help anyone.

Senator Towe explained that if there had been a bill passed that reduced the benefits on a certain type claim, at present there was no way of telling if that law had effectively reduced the burden on the State Fund. With the system in HB 511, there could be tracking of injuries and benefits to see what should be legislated.

Senator Aklestad argued against the motion, saying that with all the bills passing through the Legislature, there were significant fiscal notes. When the price was added up, the debt would be upon the employers of Montana. He said he would vote on a bill with such a high fiscal impact if the employer had the greatest potential to be aided by the bill. He questioned the potential of the Bill having such an effect on employers of Montana.

Motion:

The motion that HB 511 BE CONCURRED IN CARRIED with Senator Towe, Senator Wilson, Senator Forrester, Senator Hockett, Senator Fritz, Senator Bartlett, and Senator Lynch voting YES, and Senator Hertel voting YES by proxy. Senator Harp, Senator Burnett, Senator Aklestad, Senator Keating voted NO.

Senator Bartlett was assigned to carry the Bill on the Senate Floor.

EXECUTIVE ACTION ON HB 587

Discussion:

Senator Towe explained HB 587 dealt with the Classification and Rating Committee (CRC). He said the Bill's intent was to build in a rule making process so CRC could have a regular

classification rating process; and to put CRC under APA for appeals.

Senator Harp said that page 3, line 16 dealt with who could be part of the CRC.

Senator Towe said under HB 587 CRC would be composed of five voting members, one a representative of the state fund or a private insurer. Senator Harp clarified that currently this representative was not on CRC. The representative would be appointed by the insurance commissioner.

Senator Towe said there were currently three representatives of private insurance carriers, and under HB 587 there would be only two, and one other appointed by the insurance commissioner.

Motion/Vote:

Senator Lynch moved HB 587 BE CONCURRED IN. The motion CARRIED UNANIMOUSLY, with Senator Hertel voting YES by proxy.

EXECUTIVE ACTION ON HB 504

Discussion:

Senator Towe said that he had asked Scott Seacat to run figures to show what kind of a bond would be necessary to bond the entire Bill. He said this meant refunding the existing bond issue, and thus saving \$300,000 per year, and further funding entirely the \$371 million deficit that is projected. He said the bond issue that could do this would be in excess of \$500 million. He said the advantage was that interest rates were lower at the present than they had been for a long time, and this could be done at no more than 0.5% for the employer, and nothing for the employee. Another idea would be doing this with a taxable bond instead of a tax-free bond. If done with a tax-free bond, the reserve that would be created by the bond issue could be invested by the Board of Investments, and this could be done at a higher rate of interest than was actually being paid on the bond. Thus the reserve could be used to earn income over and above what was being paid and help employers in the long run.

Senator Keating asked Senator Towe if, under this plan, he intended to merge the 0.28% payroll tax. Senator Towe answered he did. He explained that that total was paid off, and the whole plan could be dealt with at a total of no more than 0.5% or less.

Senator Aklestad said the existing bond issue was not paid off, but in fact, the state was in default on it. He asked if anyone had looked into buying the bond back to get into it cheaper.

Senator Towe said this was what he was talking about. Senator Harp clarified paying off the existing bond would be to roll-over

the existing bond.

Senator Towe said his amendment would do this, but Senator Aklestad argued that Senator Towe's proposal was talking about expansion of the bond, not buying the bond back.

Senator Towe said this would include refunding the existing bond. He reiterated that about \$300,000 per year could be saved by refunding the old bond at the old bond level.

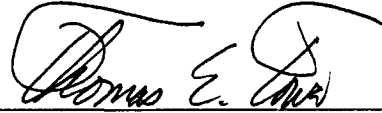
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ADJOURNMENT

Adjournment: 4:25 PM



SENATOR THOMAS E. TOWE, Chair



KELSEY S. CHAPMAN, Secretary

TET/ksc

ROLL CALL

SENATE SELECT COMMITTEE ON Workers' Compensation DATE 4/05/93

NAME	PRESENT	ABSENT	EXCUSED
Senator Towe	X		
Senator Forrester	X		
Senator Bartlett	X		
Senator Wilson	X		
Senator Burnett	X		
Senator Lynch	X		
Senator Aklestad	X		
Senator Fritz	X		
Senator Hockett	X		
Senator Hertel	X		
Senator Harp	X		
Senator Keating	X		

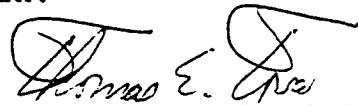
Attach to each day's minutes

SENATE SELECT COMMITTEE REPORT

Page 1 of 1
April 6, 1993

MR. PRESIDENT:

We, your select committee on Worker's Compensation, having had under consideration House Bill No. 453 (third reading copy -- blue), respectfully report that House Bill No. 453 be amended as follows and as so amended be concurred in.



Signed: 
Senator Thomas E. "Tom" Towe, Chair


That such amendments read:

1. Page 2, line 6.
Following: "EMPLOYER,"
Insert: "insurer,"

2. Page 2, line 11.
Following: "claim"
Insert: ", provided that the amount does not exceed \$50,000"

-END-

 Amd. Coord.
 Sec. of Senate

 Forrester
Senator Carrying Bill

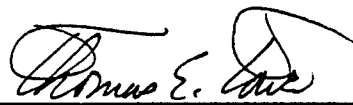
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SENATE SELECT COMMITTEE REPORT

Page 1 of 1
April 6, 1993

MR. PRESIDENT:

We, your select committee on Worker's Compensation having had under consideration House Bill No. 511 (third reading copy -- blue), respectfully report that House Bill No. 511 be concurred in.

Signed: 
Senator Thomas E. "Tom" Towe, Chair


Amd. Coord.
Sec. of Senate


Senator Carrying Bill

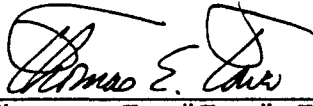
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SENATE SELECT COMMITTEE REPORT

Page 1 of 1
April 6, 1993

MR. PRESIDENT:

We, your select committee on Workers Compensation having had under consideration House Bill No. 587 (third reading copy -- blue), respectfully report that House Bill No. 587 be concurred in.

Signed: 

Senator Thomas E. "Tom" Towe, Chair

ROLL CALL VOTE

SENATE SELECT COMMITTEE Workers' Compensation BILL NO. HB 511

DATE 4/05/93 TIME 4:09 A.M. P.M.

NAME	YES	NO
Senator Towe	X	
Senator Wilson	X	
Senator Forrester	X	
Senator Keating		X
Senator Harp		X
Senator Hockett	X	
Senator Hertel	X	
Senator Fritz	X	
Senator Bartlett	X	
Senator Aklestad		X
Senator Burnett		X
Senator Lynch	X	

KELSEY CHAPMAN
SECRETARY

SENATOR TOM TOWE
CHAIR

MOTION: By Sen Lynch that HB 511 BE CONCURRED IN.

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53rd LEGISLATIVE SESSION

SENATE SELECT COMMITTEE ON WORKERS' COMPENSATION

PROXY VOTE

I, Senator JOHN HERTZEL do hereby grant my proxy vote to
Chairman Towe or Secretary Chapman as follows:

Motion

Be Concurred In

☒ Yes

HB-453-511-587 (Bill Numbers)

☐ No

Be Not Concurred In

☐ Yes

☐ No

Be Tabled

☐ Yes

☐ No

Be Amended

☐ Yes

☐ No

Be Concurred In As Amended

☐ Yes

☐ No

Be Not Concurred in As Amended

☐ Yes

☐ No

John Hertzel
Signature

4-5-93
Date

Amendments to House Bill No. 453
Third Reading Copy

Requested by Senator Towe
For the Committee on Workers' Compensation

Prepared by Susan B. Fox
March 31, 1993

1. Page 2, line 6.

Following: "EMPLOYER,"

Insert: "insurer,"

2. Page 2, line 11.

Following: "claim"

Insert: ", provided that the amount does not exceed \$50,000"