

Division of Workers Compensation
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Testimony before the
Senate Committee on Commerce
Larry Karns, Workers Compensation Director
Kansas Department of Labor
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Chairperson Lynn and Members of the Committee:

My name is Larry Karns. After 37 years of representing workers, employers, insurance carriers, self-insured employers and the Kansas Workers Compensation Fund in the private practice of law, last November I became the Director of the Department of Labor's Division of Workers Compensation. Thank you, Senator Lynn, for the opportunity today to discuss with you and your committee the work of the Division of Workers Compensation.

The Division of Workers Compensation's principal functions are to administer the Kansas Workers Compensation Act found at K.S.A. 44-501 et seq. and to adjudicate disputes regarding work injuries in Kansas. All Kansas employers, with minor exceptions, are required to provide workers compensation benefits for employees who sustain job related injuries. Benefits include medical care and monetary payments.

The "Division", as it is known, has ten Administrative Law Judges with offices in Topeka, Wichita, Overland Park, Salina and Garden City. A five member Appeals Board is located in Topeka. The Board hears appeals in both Topeka and in Wichita. In addition to the adjudication of litigated workers compensation claims, the Division ensures employer compliance with mandatory employer workers compensation insurance coverage and accident reporting, issues permits for qualified self-insureds, maintains records on work related injuries and claims, provides statistical data to the industry, and prosecutes fraudulent and abusive acts. The Topeka office was recently relocated from leased space in downtown Topeka to agency owned property at 401 S. Topeka Blvd. Our Wichita hearing offices are being relocated this year to a new Wichita location.

On May 15, 2011, Substitute for House Bill 2134, with major changes to the Kansas workers compensation law went into effect. The new law redefined and raised the threshold for compensability of work injuries in Kansas adopting a "prevailing factor" standard. Prior to the 2011 reforms generally any aggravation of a preexisting condition arising out of and in the course of employment was a compensable injury. With the 2011 reforms the work accident must be the prevailing factor in causing the injury, the medical condition and the resulting disability or impairment. There must be a causal connection between the condition under which the work is to be performed and the resulting accident. Injuries which occur as a result of the natural aging process, by normal activities of day to day living, which arise out of a neutral risk or a risk personal to the worker are no longer considered to arise out of and in the course of employment

and are not compensable. Since enactment, the Division has trained our Administrative Law Judges, our Appeals Board members, our legal staff, our Ombudsmen, and our Compliance and Fraud and Abuse employees on the changes in the new workers compensation law. We have also updated forms and publications to conform to the new provisions. Cases involving the new law are just now beginning to be heard at hearings by our Judges.

In Fiscal year 2012 the division received approximately 58,252 reports of work related injuries. This figure held nearly steady with 2011 which had 58,296. Death claims were down by 7.4% down from 54 in 2011 to 50 this past year. In our adjudication unit in 2012 our ALJ's held 5,961 hearings. The Appeals Board issued 357 decisions and 6,332 cases were resolved by settlement hearing.

The various sections of the Division were very active in 2012. Our Fraud and Abuse Section received 684 fraud referrals. The Section collected over \$214,000 in fines and restitution.

Issues and disputes involving the Workers Compensation Medical Fee Schedule were handled by our Medical Services Section. The section mediated and settled over 200 disputes between medical providers and payers.

Our Public Resource Section made presentations to numerous employers, insurance, and medical groups---reaching in excess of 1,100 people. They also assisted over 21,000 injured workers, insurance agents, attorneys, employers and health care providers with questions. We held our annual industry educational seminar this past year in Overland Park. The seminar again focused on the new law and related issues. The Overland Park seminar drew 627 attendees and 92 exhibitors. This year the annual seminar will be held in August in Wichita.

In 2011, sections of the Division of Workers Compensation were reorganized reducing managerial staff and consolidating positions. Staffing levels in 2012 remain reduced with related cost savings.

In 2012 the Division began, and in 2013 continued, its strategic planning and analysis of our judicial processes and information management systems. These efforts are aimed to assist in developing a plan to implement a paperless digital administration and adjudication system. As interim initial steps, our annual report, schedule of medical fees, and our forms and publications are now available in digital copies and as downloadable forms, no longer on paper. These changes have resulted in significant paper, printing and postage cost savings. Additionally our ALJ and Appeals Board notices and decisions are now emailed rather than mailed to the parties. In the next two years a paperless filing system for our workers compensation hearings will be implemented.

Another major change occurring at the Division in 2013, and part of our overall plan to move to electronic processing, is the requirement for electronic filing of accident reports by employers and their insurance carriers. All employers are required to timely provide notice of work injuries to the Division. Regulations have been adopted to implement the change to electronic filing beginning in the second quarter of 2013. The regulations approved the use of the International

Association of Industrial Accident Boards and Commissions (IAIABC) Release 3 for claim's electronic data interchange or EDI. Release 3 is the industry standard for electronic filing. Currently, using the IAIABC Release 1 employers in Kansas can file injury reports either by paper or electronically. We receive about 50% of employers' injury reports electronically now. With the Release 3, all injury reports will be required to be filed electronically. The new system will be more efficient and will align Kansas with other states moving to EDI filing.

For additional information I have provided the following link to the Division's annual report.
<http://www.dol.ks.gov/Files/PDF/AnnualReportFY12.pdf>

I would be happy to stand for questions regarding the Division, the new law or other issues of interest to your committee.

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