

ACT 188

H.B. NO. 2715

A Bill for an Act Relating to Workers' Compensation.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that although workers' compensation premiums in Hawaii have dropped significantly since the reforms in the

mid-1990s and are now ranked twenty-seven from the top nationwide, legislation is introduced every year alleging unfair treatment of injured workers, including slow processes. In 2015, the legislature adopted House Concurrent Resolution No. 168, H.D. 2, S.D. 1, which required the department of labor and industrial relations to convene a working group to streamline the State's workers' compensation process, of which results are due to the 2017 legislature. Despite this action, a closed claims study is warranted to objectively review whether specific statutory changes are necessary. The last closed claims study done in Hawaii on workers' compensation was in 1993 by Tillinghast.

The purpose of this Act is to increase employee health and safety in the workplace and to provide timely and appropriate services for employees injured on the job in a supportive and non-confrontational environment by requiring the auditor to conduct a study on closed claims in the State's workers' compensation system.

SECTION 2. (a) The auditor shall contract with an actuarial firm that has experience conducting workers' compensation closed claims studies in the United States to perform a study of:

- (1) Closed claims in the private employment sector in the State; and
- (2) Closed claims involving state employees, including those employed by the department of human resources development, the department of education, and the University of Hawaii system.

(b) Of the total cost of the study, a portion equal to the appropriation provided for in section 3 of this Act shall be paid for by an assessment to the workers' compensation insurers, workers' compensation captive insurers, and workers' compensation self-insureds in the State to be determined according to market share of premiums or, in the case of workers' compensation self-insureds, using the current basis to determine special compensation fund assessments.

(c) The auditor shall require the study to be completed by November 30, 2017, and the study shall be submitted to the legislature no later than twenty days prior to the convening of the regular session of 2018.

(d) Prior to contracting with an actuarial firm to perform the study required by this Act, the auditor shall consult and confer with two members of the legislature, one member selected by the president of the senate and one selected by the speaker of the house of representatives. The two members shall ensure that the actuarial firm selected and parameters of the study are not biased and do not have an appearance of bias toward any of the numerous stakeholders in the workers' compensation system, including the department of labor and industrial relations, department of human resources development, insurers, attorneys representing employers and employees, mutual benefit societies, health maintenance organizations, and health care providers.

SECTION 3. There is appropriated out of the general revenues of the State of Hawaii the sum of \$150,000 or so much thereof as may be necessary for fiscal year 2016-2017 for the auditor to contract with an actuarial firm to produce a study of closed claims in the State's workers' compensation system; provided that no moneys shall be released unless matched dollar-for-dollar by the fees assessed pursuant to section 2(b) of this Act.

The sum appropriated shall be expended by the auditor for the purposes of this Act.

SECTION 4. This Act shall take effect on July 1, 2016.

(Approved July 1, 2016.)