

SENATE BILL REPORT

SB 6579

As Reported by Senate Committee On:
Commerce & Labor, January 27, 2016

Title: An act relating to creating real reform in industrial insurance through privatization and competition.

Brief Description: Reforming industrial insurance through privatization and competition.

Sponsors: Senators Baumgartner and Braun.

Brief History:

Committee Activity: Commerce & Labor: 1/27/16 [DP-WM, DNP].

SENATE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Baumgartner, Chair; Braun, Vice Chair; King and Warnick.

Minority Report: Do not pass.

Signed by Senators Hasegawa, Ranking Minority Member; Conway and Keiser.

Staff: Susan Jones (786-7404)

Background: The state Industrial Insurance Program provides medical and other benefits to workers who suffer a work-related injury or develop an occupational disease. The Industrial Insurance Program is administered by the Department of Labor and Industries (L&I) and is funded through a premium collected from employers and employees in the state. Workers are entitled to workers' compensation benefits depending on the type of injury or disease and whether the injury or disease precludes any further gainful employment. Employers must insure through the state fund administered by L&I or, if qualified, may self-insure. Self-insurance is a program in which the employer provides any and all appropriate benefits to the injured worker and manages the claims of its employees.

Employers in Washington do not have the option of obtaining private sector industrial insurance.

Summary of Bill: The Legislature finds that most states use competition to maximize efficiency in their workers' compensation programs. The purposes of this act are to:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- create an efficient and cost-effective industrial insurance system for the benefit of both employers and workers by introducing competition through a choice of insurance carriers;
- provide workers the benefits of safety systems developed by both private enterprise and government;
- improve the state's economic climate by providing the private sector with the opportunity to engage in the industrial insurance business;
- eliminate a government monopoly with respect to industrial insurance choices for small employers and provide private sector insurance choices for all employers; and
- by July 1, 2017, make Washington a state in which employers may self-insure or obtain private sector industrial insurance and eliminate the state-run industrial insurance fund.

The joint legislative task force on industrial insurance privatization is established consisting of the following 16 members:

- the chairs and ranking minority members of the Senate Commerce and Labor Committee and the House Commerce and Gaming Committee;
- one member from each major caucus of the House and the Senate; and
- five members representing business, at least one of whom must represent small business and at least one of whom must be a self-insured employer;
- two members representing insurers; and
- one member representing labor.

The task force:

- must provide its recommendations to the Legislature by December 1, 2016;
- must develop proposed legislation by July 1, 2017;
- must use legislative facilities and staff from Senate Committee Services and the Office of Program Research;
- may hire additional staff with specific technical expertise if necessary and funds are available; and
- may consult with individuals from the public and private sector or establish an advisory committee.

L&I and the Office of the Insurance Commissioner must cooperate with the task force and each provide a non-voting liaison member. The Senate and House Committee Chairs must convene and chair the first task force meeting when a chair or co-chairs are selected. Each non-legislative member is entitled to be reimbursed for travel expenses. All expenses of the task force, including travel, shall be paid jointly by the Senate and the House.

Appropriation: None.

Fiscal Note: Requested on January 23, 2016.

Committee/Commission/Task Force Created: Yes.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The bill is a step towards increased efficiency. Businesses are seeing workers' compensation fees increasing over time. Privatized states have faster contact with injured workers and lower premiums. Many monopoly states have switched to the competitive model, but no privatized states have switched to the monopoly model. The state can look to best practices in other states if it were to privatize. A task force that looks into reform is a good idea.

CON: Citizens voted against privatizing workers' compensation in 2010. Costs to employers will increase because they have to pay for the employees' share of the premiums. The state fund is tax exempt, losing that will increase premiums.

Persons Testifying: PRO: Senator Baumgartner, prime sponsor; Bob Battles, Association of Washington Business; Carolyn Logue, Washington Food Industry Association; Patrick Connor, Nation Federation of Independent Business; Jeff Chambers, Visiting Angels; Paul Edwards, Insurance Services Group.

CON: Larry Shannon, WA State Association for Justice; Tammy Fellin, Labor & Industries; Cody Arledge, Sheet Metal Workers, UFCW 21.

Persons Signed In To Testify But Not Testifying: PRO: Mel Sorensen, Property Casualty Insurers Association of America; Cliff Webster, Associated Builders & Contractors and American Insurance Association.