

SB 969

**MAKING AN EMERGENCY
APPROPRIATION TO THE DEPARTMENT
OF HUMAN RESOURCES DEVELOPMENT.**

LAB, FIN

SB969



Submit Testimony

Measure Title: MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT.

Report Title: Emergency Appropriation; Department of Human Resources Development (\$)

Description: Makes an emergency appropriation to provide funds for Department of Human Resources Development to pay claims as required under the Hawaii Workers' Compensation Law, chapter 386, Hawaii Revised Statutes.

Companion: [HB1103](#)

Package: Governor

Current Referral: LAB, FIN

Introducer(s): KOUCHI (Introduced by request of another party)

<u>Sort by Date</u>		Status Text
1/25/2017	S	Introduced.
1/25/2017	S	Passed First Reading.
1/25/2017	S	Referred to JDL, WAM.
2/1/2017	S	The committee(s) on JDL has scheduled a public hearing on 02-07-17 9:00AM in conference room 016.
2/7/2017	S	The committee(s) on JDL recommend(s) that the measure be PASSED, UNAMENDED. The votes in JDL were as follows: 4 Aye(s): Senator(s) Keith-Agaran, K. Rhoads, Kim, L. Thielen; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Gabbard.
2/13/2017	S	Reported from JDL (Stand. Com. Rep. No. 155) with recommendation of passage on Second Reading and referral to WAM.
2/13/2017	S	Report adopted; Passed Second Reading and referred to WAM.
2/17/2017	S	The committee(s) on WAM has scheduled a public hearing on 02-21-17 10:05AM in conference room 211.

2/21/2017	S	The committee(s) on WAM deferred the measure until 02-22-17 9:25AM in conference room 211.
2/22/2017	S	The committee(s) on WAM recommend(s) that the measure be PASSED, UNAMENDED. The votes in WAM were as follows: 10 Aye(s): Senator(s) Tokuda, Dela Cruz, English, Harimoto, Inouye, K. Kahele, Riviere, Shimabukuro, Taniguchi, Wakai; Aye(s) with reservations: none ; 0 No(es): none; and 1 Excused: Senator(s) Galuteria.
3/2/2017	S	Reported from WAM (Stand. Com. Rep. No. 576) with recommendation of passage on Third Reading.
3/2/2017	S	One Day Notice 03-03-17.
3/3/2017	S	Report adopted; Passed Third Reading. Ayes, 24; Aye(s) with reservations: none . Noes, 0 (none). Excused, 1 (Senator(s) Gabbard). Transmitted to House.
3/3/2017	H	Received from Senate (Sen. Com. No. 64).
3/7/2017	H	Pass First Reading
3/7/2017	H	Referred to LAB, FIN, referral sheet 26
3/13/2017	H	Bill scheduled to be heard by LAB on Thursday, 03-16-17 9:00AM in House conference room 309.

JAN 25 2017

A BILL FOR AN ACT

MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN
RESOURCES DEVELOPMENT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. This Act is recommended by the governor for
2 immediate passage in accordance with section 9 of article VII of
3 the Constitution of the State of Hawaii.

4 SECTION 2. Act 119, section 3, Session Laws of Hawaii
5 2015, appropriated \$6,735,183 in general funds to the department
6 of human resources development for the payment of claims against
7 the State, as required by the Hawaii workers' compensation law,
8 chapter 386, Hawaii Revised Statutes, for fiscal year 2016-2017.
9 Act 124, section 3, Session Laws of Hawaii 2016, appropriated an
10 additional \$666,000 in general funds to the department of human
11 resources development for fiscal year 2016-2017.

12 At this time, however, current fiscal year 2016-2017
13 workers' compensation expenses—led primarily by costs for
14 medical care, services, and supplies, and permanent disability
15 indemnity benefits—are outpacing the appropriated funds such
16 that it is estimated that the funds to pay claims will be

S.B. NO. 969

1 exhausted by April 30, 2017. Therefore, a critical funding
2 crisis exists and the department of human resources development
3 will not be able to meet its legal obligation to pay the
4 workers' compensation benefits that are due to State of Hawaii
5 employees who sustain work-related injuries and illnesses for
6 the remainder of fiscal year 2016-2017.

7 The purpose of this Act is to make an emergency
8 appropriation to provide additional funds for the department of
9 human resources development to pay claims as required under
10 chapter 386.

11 SECTION 3. There is appropriated out of the general
12 revenues of the State of Hawaii the sum of \$1,700,000 or so much
13 thereof as may be necessary for fiscal year 2016-2017 for the
14 department of human resources development to pay claims as
15 required under chapter 386, Hawaii Revised Statutes.

16 The sum appropriated shall be expended by the department of
17 human resources development for the purposes of this Act.

18 SECTION 4. This Act shall take effect upon its approval.

19

20

INTRODUCED BY: 

21

BY REQUEST

22

S.B. NO. 969

Report Title:

Emergency Appropriation; Department of Human Resources
Development

Description:

Makes an emergency appropriation to provide funds for Department of Human Resources Development to pay claims as required under the Hawaii Workers' Compensation Law, chapter 386, Hawaii Revised Statutes.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: HUMAN RESOURCES DEVELOPMENT

TITLE: MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT.

PURPOSE: To make an emergency appropriation to provide additional funds for the department of human resources development to pay claims as required under chapter 386, Hawaii Revised Statutes (HRS).

MEANS: Emergency appropriation of funds.

JUSTIFICATION: Led primarily by increased costs for medical care, services, and supplies, and permanent disability indemnity benefits, current fiscal year 2016-2017 workers' compensation expenses are outpacing the funds that were appropriated to the Department of Human Resources Development by Act 119, Session Laws of Hawaii 2015, and Act 124, SLH 2016, to pay claims in fiscal year 2016-2017. It is estimated that the funds to pay claims will be exhausted by April 30, 2017. Therefore, a critical funding crisis exists and the department of human resources development will not be able to meet its legal obligation to pay the workers' compensation benefits that are due to State of Hawaii employees who sustain work-related injuries and illnesses for the remainder of fiscal year 2016-2017.

Impact on the public: None.

Impact on the department and other agencies: This bill will make additional funds available for the payment of the workers' compensation liabilities of the State executive branch departments and agencies, pursuant to section 26-5, HRS.

GENERAL FUND: \$1,700,000.

OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: HRD 102.

OTHER AFFECTED
AGENCIES: None.

EFFECTIVE DATE: Upon approval.

DAVID Y. IGE
GOVERNOR



JAMES K. NISHIMOTO
DIRECTOR

RYKER WADA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

March 14, 2017

TESTIMONY TO THE
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

For Hearing on Thursday, March 16, 2017
9:00 a.m., Conference Room 309

BY

JAMES K. NISHIMOTO
DIRECTOR

Senate Bill No. 969
Making An Emergency Appropriation
To The Department Of Human Resources Development

TO CHAIRPERSON JOHANSON, VICE CHAIR HOLT, AND MEMBERS OF THE
COMMITTEE:

Thank you for the opportunity to testify in **strong support** of S.B. 969, with a requested amendment detailed below.

S.B. 969 makes an emergency appropriation to the Department of Human Resources Development (“DHRD”) to pay claims as required by the Hawaii Workers’ Compensation Law, Chapter 386, Hawaii Revised Statutes (“HRS”).

As noted in Governor’s Message No. 5, our updated projections based on actual FY17 expenses through January 31, 2017 indicate our original request of \$1,700,000 will not be sufficient to cover the balance of our anticipated expenses for the balance of FY17. Therefore, we respectfully ask for your committee’s favorable consideration of our updated emergency appropriation request of \$2,400,000 and amend the bill to reflect this new amount.

Pursuant to Section 26-5, HRS, DHRD is responsible for administering the State’s centralized, self-insured workers’ compensation program, which covers all State Executive Branch agencies (except the Department of Education, University of Hawaii,

and Hawaii Health Systems Corporation), the charter schools, the Hawaii Public Housing Authority, and the Legislature. Workers' compensation is a statutorily-mandated benefit which provides wage loss compensation, medical care, and other related benefits to employees who suffer a work-related injury or illness. Chapter 386, HRS, statutorily presumes that a claim for compensation is for a covered work injury unless the employer can show by substantial evidence that the injury is not work-related.

The primary driving force behind our increasing costs are medical care, services, and supplies, which have increased by 27% from FY11 to FY15, mirroring the 27% increase of DHRD's total overall workers' compensation costs in that period. DHRD's increasing costs are consistent with, and comparable to, all other employers in the State. According to the Department of Labor and Industrial Relations ("DLIR") Workers' Compensation Data Books for CY11 and CY15, medical costs for all Hawaii employers increased 21% in those five years and total workers' compensation costs increased at the exact same rate of 21%.

DHRD makes every effort to contain medical costs by carefully reviewing and auditing medical bills to ensure that we pay only for the medical care, services, and supplies that are related to the compensable work injury. We attend administrative hearings at DLIR to contest and adjudicate disputes over liability for controverted claims and/or for ongoing medical care. However, like all other employers in the State, we expect medical costs to continue to increase in light of recent administrative and court decisions, including the 2015 Hawaii Supreme Court decision, Pulawa v. Oahu Construction Co., Ltd., and Seabright Insurance Company, SCWC-11-0001019 (Hawaii November 4, 2015) which liberalized the standard for medical treatment from "reasonable and necessary" to "reasonably needed" and allows claimants to "receive[] the opportunity for the greatest possible medical rehabilitation."

DHRD is also seeing increased costs for permanent partial disability ("PPD") benefits paid to our injured employees. While our PPD expenses are roughly half that of our medical costs, we also expect such costs to continue to increase because PPD benefits are statutorily calculated based on the State average weekly wage ("AWW") in

the year of injury. Except for 2011, the State AWW has risen every year since 1973. Between 2000 and 2017, the AWW has increased 59.9% from \$529 to \$846. In terms of PPD benefits, this means that a permanent disability award for the same degree of impairment for a 2017 injury would cost employers 59.9% more than if the injury had occurred in 2000.

Without these additional funds DHRD will not be able to pay for the medical care and other workers' compensation benefit costs incurred by our State employees who sustain injuries and illnesses while in the course and scope of their employment. If we are unable to pay these benefits, the workers' compensation law imposes penalties on employers who do not timely pay obligations, i.e., 20% penalty on unpaid TTD when due in addition to the amount owed; and 20% on compensation awarded.

Thank you for allowing DHRD to testify in **strong support** of S.B. 969, with an amendment to include our updated emergency appropriation request of \$2,400,000.

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

LAUREL A. JOHNSTON
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN COMMENTS
TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO
HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
ON
SENATE BILL NO. 969

March 16, 2017
9:00 a.m.
Room 309

**MAKING AN EMERGENCY APPROPRIATION TO THE DEPARTMENT OF HUMAN
RESOURCES DEVELOPMENT**

Senate Bill No. 969 makes an emergency appropriation to provide funds for Department of Human Resources Development to pay claims as required under the Hawaii Workers' Compensation Law, chapter 386, Hawaii Revised Statutes.

The Department of Budget and Finance supports the Department of Human Resources Development (DHRD). While DHRD has made efforts at cost containment, both rising costs of medical care and recent court decisions have resulted in increased expenditures beyond their control. Further, should DHRD not be able to pay these claims, a penalty pursuant to Hawaii worker compensation law is further imposed on the State as the employer, for which DHRD is also responsible to pay.

Thank you for your consideration of our comments.

SB 969

Late Testimony