

## PROGRAM DESCRIPTION

Department of Labor and Industrial Relations

HB Section(s): 7.840

Program Name: Workers' Compensation Self-Insurance

Program is found in the following core budget(s): Division of Workers' Compensation

### 1a. What strategic priority does this program address?

Growth: Foster a business environment to support economic development.

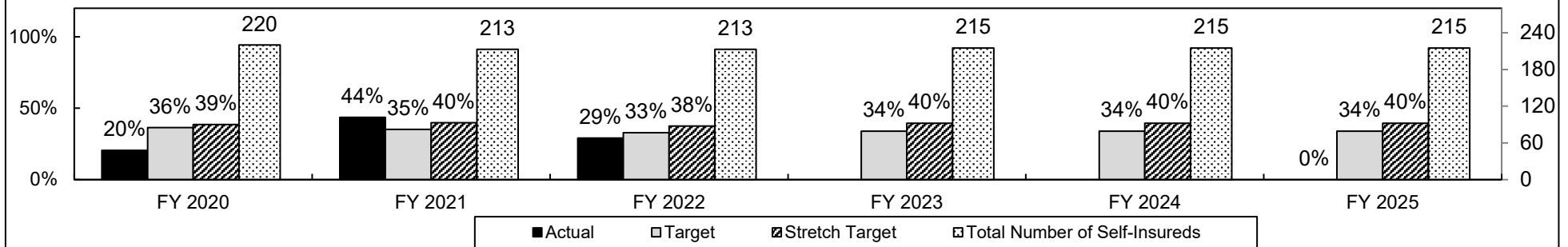
Supports the economic vitality and stability of the self-insured businesses and workforce by providing direction through regulation.

### 1b. What does this program do?

- Provides Missouri employers with a viable and economic alternative to the purchase of workers' compensation insurance resulting in better outcomes and lower cost to the employer.
- Monitors self-insured employers and groups to ensure the stability of the self-insurance system and economic security for injured workers through statutory and regulatory compliance.
- Serves as resource concerning information relating to workers' compensation insurance and proof of coverage.
- Principal contact with the Missouri Private Sector Individual Self-Insurers Guaranty Corporation to ensure transition of benefit payments to the Guaranty Corporation when an individual private sector self-insured employer defaults.

### 2a. Provide an activity measure(s) for the program.

**Self-Insurance Claim Audits Completed<sup>1</sup>**



<sup>1</sup> Review of compliance, complaints and cases to ensure timely and appropriate payments, complete and accurate reporting and the ability to meet financial obligations.

The Self-Insurance Unit placed audits on hold for 3 months because of the COVID pandemic during FY 2020, as the Unit's auditors assisted DES with unemployment claims, resulting in a lower number of audits being performed. Audits are completed in cycles with the current target of each self-insured employer audited once every three-four years. The projected decline from FY 2020, FY 2021, and FY 2022 is due to the number of employers electing not to be self-insured because of fluctuations in the market or being acquired by an entity that does not desire to be self-insured. The economic impact of COVID-19 is still unknown. The number of audits completed for FY 2022 is lower because of a large single audit being conducted.

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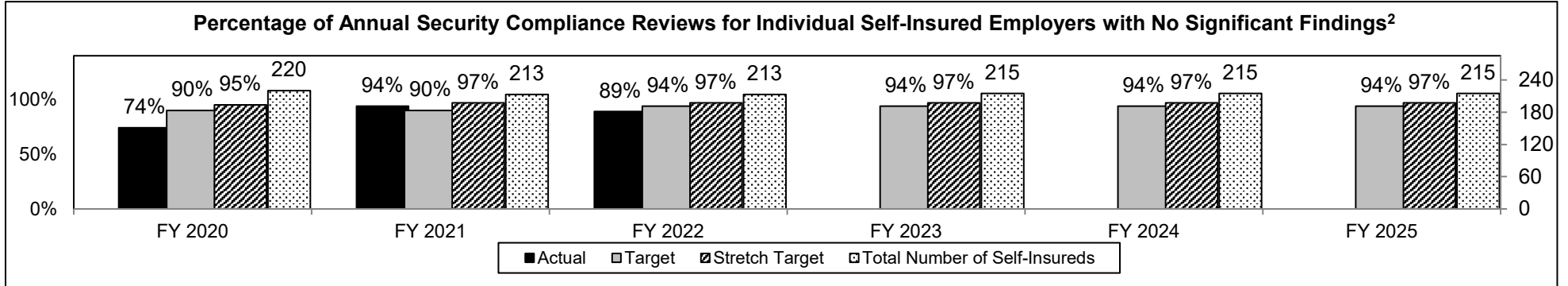
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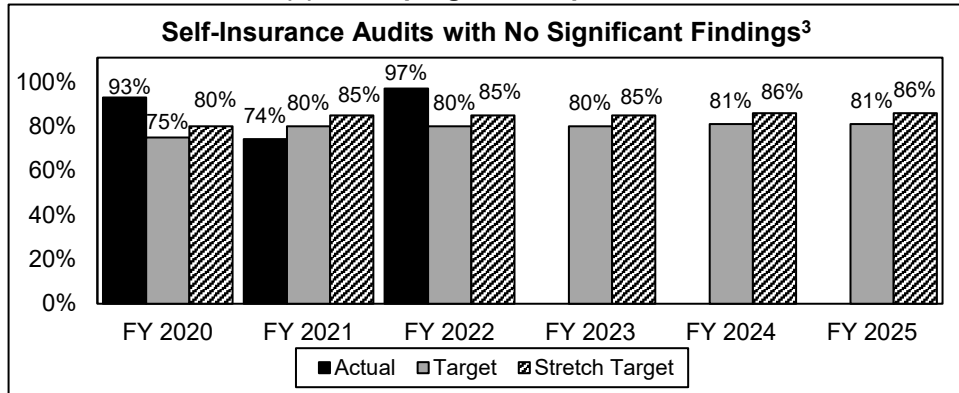
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### 2b. Provide a measure(s) of the program's quality.



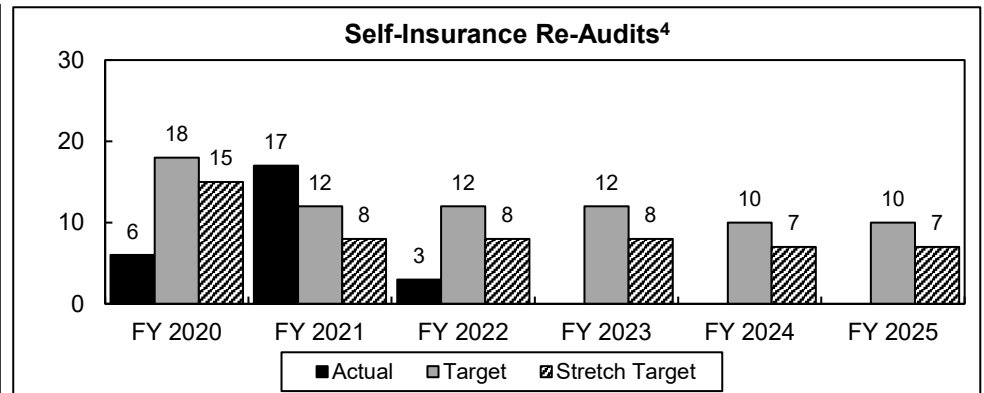
<sup>2</sup> Annual compliance reviews are conducted to verify adequate security, excess coverage and that the employer remains financially stable. An example of a significant finding would include inadequate security levels, excess coverage not current or timelines of reporting. The measurement is to identify the employers who fall outside of compliance. There are currently 215 Active self-insured employers. The 94% goal would indicate less than 13 of the 215 had findings. Stretch goal less than 7 employers required follow-up to review findings.

### 2c. Provide a measure(s) of the program's impact.



<sup>3</sup> The audits are a review of compliance, complaints, and cases to ensure timely and appropriate payments, complete and accurate reporting, and the ability to meet financial obligations.

<sup>4</sup> The Self-Insurance Unit placed audits on hold for 3 months during FY 2020 as a result of the COVID pandemic in FY 2020, as the Unit's auditors assisted DES with unemployment claims, resulting in a lower number of audits being performed. In addition, some parent corporations have multiple self-insured subsidiaries that all get re-audited at the same time. This accounts for a larger number of self-insureds re-audited in FY 2021. Follow-up audits are structured to be done within two years to achieve compliance. They include review of prior corrective action plans, so the content and focus vary by entity. The Division anticipates fewer re-audits will be necessary in the future as employers correct deficiencies.



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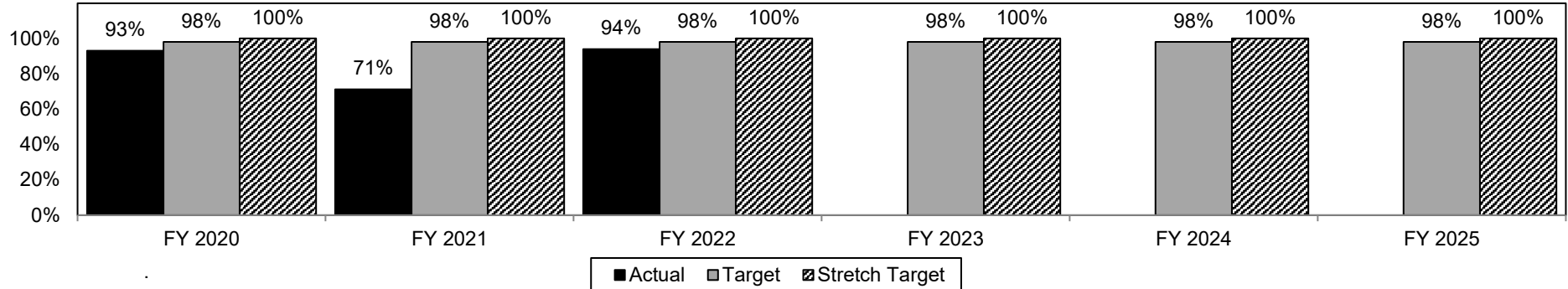
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### 2d. Provide a measure(s) of the program's efficiency.

#### Timely Review Annual Reporting Required by State Regulation of Self-Insured Employers<sup>5,6</sup>

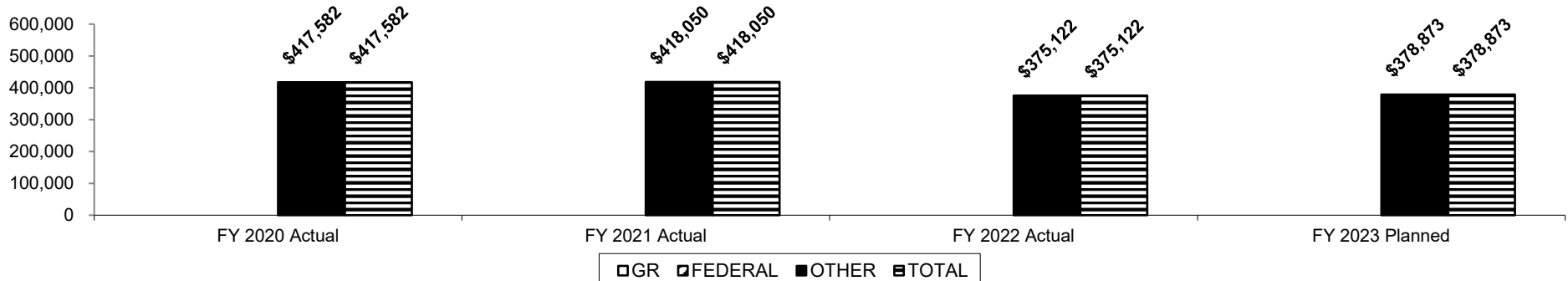


<sup>5</sup> Reviews by the Division are completed within 90 days to ensure data is timely and accurate.

<sup>6</sup> The drop in actual between FY 2020 and FY 2021 is explained by one of the two Financial Analysts responsible for such reviews being on FMLA for three months during Fiscal Year 2021. The division has implemented cross training within the unit to alleviate. Annual Reports are due March 31<sup>st</sup> each year and the Financial Analyst was out April, May and June which resulted in a reduction in the number of Annual Reports reviewed within 90 days.

### 3. Provide actual expenditures for the prior three fiscal years and planned expenditures for the current fiscal year. (Note: Amounts do not include fringe benefit costs.)

#### Program Expenditure History



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**4. What are the sources of the "Other " funds?**

Workers' Compensation Administration Fund

**5. What is the authorization for this program, i.e., federal or state statute, etc.? (Include the federal program number, if applicable.)**

Sections 287.280 and 287.290, RSMo.

**6. Are there federal matching requirements? If yes, please explain.**

No

**7. Is this a federally mandated program? If yes, please explain.**

No