H.B. NO. 3163

A BILL FOR AN ACT

RELATING TO THE SPECIAL FUND FOR DISABILITY BENEFITS.

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

SECTION 1. The purpose of this Act is to amend the purpose of the special fund for disability benefits to allow for the use of currently available funds for automation purposes, and to appropriate $5,000,000 from the special fund for disability benefits for automation of the department of labor and industrial relations' disability compensation division, which includes the workers' compensation, prepaid health care, and temporary disability insurance programs. Automation would increase efficiency and entail providing employers, carriers, employees, and doctors the ability to submit their required forms via internet.

For several years, the state auditor has expressed concern in regards to the amount of money the special fund is collecting versus the amount of funds it actually needs to fulfill its legislative mandate. This offers the opportunity of using funds paid by employers to automate the disability compensation fund, which would directly improve the department's services, while

lowering business costs. These funds were paid by businesses and it is prudent we use these funds to their benefit.

SECTION 2. Section 392-61, Hawaii Revised Statutes, is amended to read as follows:

"[~~[~~]**§392-61**[~~]~~] **Establishment of special fund for disability benefits.** There is established in the treasury of the State, separate and apart from all public moneys or funds of the State, a special fund for disability benefits which shall be administered by the director exclusively for the purposes of this chapter[~~.~~] and for the automation of the workers' compensation, temporary disability insurance, and prepaid health care programs. All contributions pursuant to this part shall be paid into the fund and all benefits payable under this part shall be paid from the fund. The fund shall consist of (1) all contributions collected pursuant to this part, together with any interest thereon; (2) all fines and penalties for the fund pursuant to this chapter; (3) all moneys collected by way of subrogation; (4) interest earned on any moneys in the fund; (5) any property or securities acquired through the use of moneys belonging to the fund; (6) all earnings of such property and securities; and (7) all other moneys received for the fund from any source."

1 SECTION 3. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.
3 Section 4. There is appropriated out of the special fund
4 for disability benefits the sum of $5,000,000, or so much
5 thereof as may be necessary for fiscal year 2008-2009, for the
6 automation of the workers' compensation, temporary disability
7 insurance, and prepaid health care programs. The sums
8 appropriated shall be expended by the department of labor and
9 industrial relations.
10 SECTION 5. This Act shall take effect upon its approval.
11
12 INTRODUCED BY: Calvin K.Y. Say
13 By Request
JAN 22 2008

H.B. NO. 3163

Report Title:
Workers' Compensation; Temporary Disability; Automation

Description:
Amends the purpose of the special fund for disability benefits to allow for the use of currently available funds for automation purposes. Appropriates $5,000,000 from the special fund for disability benefits for automation of the department of labor and industrial relations' disability compensation division.

JUSTIFICATION SHEET

HB 3163

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO THE SPECIAL FUND FOR DISABILITY BENEFITS.

PURPOSE: To amend the purpose of the special fund to allow for the use of currently available funds for automation purposes, and to appropriate $5,000,000 from the special fund for disability benefits for automation of the Disability Compensation Division (DCD), which includes the Workers' Compensation, Prepaid Health Care, and Temporary Disability Insurance programs. Automation would increase efficiency and entail providing employers, carriers, employees, and doctors the ability to submit their required forms via internet.

MEANS: Amend section 392-61, Hawaii Revised Statutes.

JUSTIFICATION: Employers paid a one time assessment in 1969 into the fund and the expenses average $60,000 a year. The revenue to this account is mainly from interest payments which is around $156,000 a year. There is currently an estimated $8,600,000 in the Special Fund for Temporary Disability Insurance. Authorizing $5,000,000 for the automation project would leave a sufficient balance to keep the fund operating without assessing another levy.

Specifically, the funds would be utilized for the following purposes:

1. Electronic Data Interchange:
   a. Enable electronic filing of workers' compensation costs paid by insurance carriers to injured workers; and
   b. Enable electronic filing of workers' compensation employer insurance coverage information; and
   c. Enable electronic filing of medical reports. This will reduce costs to insurance carriers who must currently

file hard copy reports with the DCD and also allow the DCD to more efficiently process information in a paperless environment. ICSD will also not be required to keypunch in this information.

2. Complete total migration from the legacy-based Disability Compensation Information System (DCIS Mainframe) system to the client server based Lotus Notes system.

   This will enhance the DCD's operational efficiency by eliminating the need to maintain two separate systems and greatly enhance the department's ability to provide better real time information and management reports through the Lotus Notes system.

3. Electronic Historical Records: The DCD must retain workers' compensation files for 30 years after the case is closed. The creation of electronic historical case records will:
   a. eliminate the need to pay for storage space;
   b. eliminate the cost of filing and retrieving closed case files; and
   c. allow more efficient retrieval of electronic records.

The State Auditor has expressed concern regarding the amount of money the fund is collecting versus the special funds low annual payout. This offers the opportunity of using these funds to automate DCD, which would directly improve the department's services, while lowering business costs.

These funds were paid by businesses and it is prudent we use these funds to their benefit by automating the sections responsible for regulating these employer mandated benefits.

Impact on the public: Automating DCD would make the processing of workers' compensation and TDI claims more efficient and cost

effective.

Impact on the department and other agencies: Future cost savings generated from more efficient and timely submittal of information and paperwork will be seen by Department of Labor and Industrial Relations, Department of Human Resource Development, university of Hawaii, and Department of Education.

GENERAL FUND: None.

OTHER FUNDS: $5,000,000 Appropriation from Special Fund for Disability Benefits.

PPBS PROGRAM DESIGNATION: LBR-183

OTHER AFFECTED AGENCIES: None.

EFFECTIVE DATE: Upon approval.