

# FOCUS ON SAFETY ... not the system

*Laurence Hubbard, President & CEO, Montana State Fund*



***It is no secret*** that Montana has historically had among the highest rates in the country for workers' compensation insurance. This is primarily driven by a few components such as accident frequency, benefits paid and Montana's safety culture. Over the last several years, claim frequency has trended downward at an average of -3.2% a year. Simultaneously, average rates in Montana have declined by more than 30% over that past 10 years.

The Oregon Department of Consumer and Business Services Ranking Study, which is released in even-numbered years, analyzes and ranks premium rates from each state. In 2011, Montana was the highest in the country; the 2016 study ranked Montana as the 11<sup>th</sup> highest. This improvement is due in part to the bipartisan legislative efforts passed in the 2011 session, however, the decline can also be attributed to a long-term trend in claim frequency. The 2017 legislative session considered several pieces legislation that could have further impacted Montana's standing—both positive and negative. When all was said and done, only one bill that may impact rates—SB 312—was passed and signed into law by the Governor.

Senate Bill 312 allows the Montana Department of Labor and Industry (DOLI) to adopt a prescription drug formulary for the workers' compensation system. Similar legislation in other states has resulted in positive savings by as much as 20% in drug costs. However, the exact cost impact will be determined by the formulary DOLI chooses to adopt.

Another piece of legislation, Senate Joint Resolution 27, resulted in an interim committee study of Montana State Fund (MSF) and options for providing workers' compensation insurance in Montana. The Economic Affairs Interim Committee will form a sub-committee consisting of legislators, insurance professionals and stakeholders to look at MSF's role in the workers' compensation system and whether there are improvements that can be made.

As the state's largest workers' compensation insurance company, we strongly believe Montanans would be best served by turning our focus toward safety in the workplace. Historically, Montana has been amongst the highest in the nation in terms of workplace accidents and fatalities. We see more on-the-job injuries and deaths than all of our neighboring states; this is in spite of the fact that we have similar climates, geographies, industries and populations. According to the Department of Labor and Industry's annual report, our incident rate for injuries is 141% of the national average.

While it may be tempting to target Montana's workers' compensation system structure, which includes the State Fund, as the reason for our higher ranking, we believe this is not the reason for Montana's rate ranking. For instance, our neighbor, North Dakota has the lowest rates in the country and yet they are a monopolistic state fund. Meaning, businesses in North Dakota can only purchase workers' compensation insurance from the North Dakota State Fund.

So what are the variables leading to the distinct differences in workers' compensation costs between Montana and North Dakota? The answer is safety and benefits paid.

We welcome the opportunity to discuss ways to improve the safety in the workplace and our business climate in Montana. We look forward to a collaborative effort between all parties over the coming 18 months.

*Laurence Hubbard is the President/CEO of Montana State Fund. Montana State Fund is the state's largest workers' compensation insurance company, insuring nearly 26,000 Montana businesses and other organizations.*