



March 7, 2021

Committee Members
Committee on Labor, Industry, Veterans and Military Affairs Finance and Policy
Minnesota House of Representatives
100 Rev. Dr. Martin Luther King Jr. Blvd., Saint Paul, MN 55155
By email – travis.reese@house.mn

Re: Committee Consideration of HF 1203

Dear Committee Members:

The League of Minnesota Cities Insurance Trust (LMCIT) is a self-insurance pool providing workers' compensation coverage to almost all cities and standalone police and fire departments in Minnesota, except for nine large self-insured cities including Minneapolis and St. Paul. In view of the current environment, we do not object to a proposed extension to the COVID-19 presumption that applies for law enforcement, firefighters, and other emergency personnel employed by Minnesota cities.

We do suggest, however, that in light of the rapidly changing environment we find ourselves in, it would be prudent to take a more incremental approach to extending the presumption. As the vaccine rolls out and restrictions likely change, what makes sense now might not in a few months. In addition, we note financial support from the State could be appropriate in the future if losses are significantly higher than currently anticipated.

Beyond that, there is some additional context about our COVID experience and the use of presumptions in general that shed light on our position. We offer it for your consideration.

We were very concerned about the financial impact of the COVID presumption when it was first implemented in light of predictions about the severity and spread of the disease. Fortunately, the infection rate among first responders has been well below initial estimates provided by the Minnesota Department of Commerce. To date, we have received approximately 250 claims with a positive diagnosis, only a handful of which have led to significant negative health outcomes. Notably, however, even that small number of serious cases, which includes both first responders and other city employees, has led to total incurred costs to date of more than \$4.5 million.

With many first responders now receiving or soon to receive vaccines, we are hoping for continued relatively low rates of infection and few or no financially significant claims in the months ahead. If so, we will have weathered the crisis with less of an economic strain than originally expected, and the CARES Act funding our members received will have helped address the cost of those claims we have received. On the other hand, if infection rates and associated costs increase substantially because of a vaccine resistant variant, long-term health effects for people who currently appear to have recovered completely, or some other reason, we would have to consider whether to revisit the issue of alternative

funding mechanisms. We should also note that we do not know in any detail the impact of the presumption on employees from health care or other presumptive classes and do not offer an opinion on the impact an extension could have on those insurers and self-insurers.

Notwithstanding our lack of objection to this particular extension, we have ongoing concerns about the expanding use of presumptions in workers' compensation. LMCIT is a joint powers entity owned and managed by our member cities, who join on a voluntary basis. We do not have private shareholders or investors and our revenues come from member contributions, plus the income we generate from our investments, which are subject to the same restrictions as other local government funds.

As a city-owned organization and a sister entity to the League of Minnesota Cities, which provides research, training, and other services to cities, our goals extend beyond simply providing coverage. While paying claims is at the core of what we do, our mission also includes creating budgetary stability for our members, giving them tools to efficiently deliver services to their own constituents, and promoting the health, safety, and well-being of their employees and the public. Even the temporary loss of an employee due to injury creates operational pressures for a city, and the goal of our members, and of us, is to avoid those injuries whenever possible and facilitate a complete recovery when an injury does occur.

That is the perspective we bring to the growing reliance of presumptions in workers' compensation. For us, that has played out primarily, though not exclusively, in public safety. Our members employ approximately 16,000 firefighters, most of them part-time, and 4,250 police officers. Minnesota's statutes now presume that specified cancers and heart diseases, post-traumatic stress disorder (PTSD), and COVID arise from the work of these public safety employees and they are therefore entitled to workers' compensation benefits for them.

Like all employees, first responders should be financially protected from injuries that arise in the course of employment. Workers' compensation was intended for this, to protect workers and to ensure that employers bear the cost of work that benefits them.

Presumptions, however, shift that balance. For certain injuries in certain job classes, the system begins to look more like a program of general health and disability insurance. The merits of a universal social welfare system are outside the scope of this letter. The challenge we face is that workers' compensation is not designed or funded to serve that role and using it that way has potential unintended consequences that warrant broader discussion.

First, it results in the workers' compensation system picking up costs it would not normally bear. For example, this year we are projecting PTSD claims to represent approximately 30% of our overall workers' compensation costs. As a city-owned self-insurance pool, those costs are directly borne by local taxpayers. We are already seeing how that affects local budgets, as members reconsider programs and staffing levels. Ultimately, it may affect the ability of some cities to maintain independent police and fire departments, and while voluntary departmental consolidation and regionalization offers benefits in some circumstances, forcing it upon communities raises important policy questions about local quality of life, civic engagement, and self-determination that deserve a complete and well-informed review.

Second, it shifts costs from the health insurance system to the workers' compensation system. Health insurance is designed to cover injuries and illnesses regardless of how they occur. Actuaries plan for that, premiums are charged on that basis, and health insurers staff and fund for that. Disability insurers do the same for their lines of business.

Workers' compensation is no different. We expect to pay claims that arise from employment, we set premium levels based on that expectation, and we staff accordingly. As the lines between health insurance, disability insurance, and workers' compensation begin to blur, though, it is increasingly difficult for insurers and self-insurers to rely on what has been a consistent statutory framework and long-standing administrative and judicial guidance. In turn, as claims projections become more unpredictable for us and subsequent costs and pricing destabilization are passed along to our members, budgeting and financial planning become more difficult for cities, with all the consequences that has for residents and businesses all over Minnesota.

Finally, health insurance is primarily tied to employment in the United States as its own unintended consequence, namely a way for employers to provide additional compensation to employees in the face of wage controls enacted during World War II. This has subsequently had profound implications for labor mobility, entrepreneurship, business planning, personal financial stability, and countless other aspects of American life. Because of this, efforts have been made in recent years across the political spectrum to delink employment and health insurance. Tying health coverage even more tightly to employment by shifting financial responsibility for certain kinds of medical issues to the workers' compensation system moves us in the other direction and only intensifies the problem.

In conclusion, our members need and want their employees to be healthy and safe. It's how cities serve their constituents, it's how they efficiently manage taxpayer dollars, and it's how they fulfill their commitment to protecting people who are their colleagues, and often their neighbors and friends as well. How to best accomplish that deserves full and considered evaluation.

I hope this information is helpful. We would welcome the opportunity for additional conversations about the policy considerations involved in these difficult and important questions.

Very truly yours,



Daniel J. Greensweig
Administrator
League of Minnesota Cities Insurance Trust