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## DEPARTMENT OF LABOR AND EMPLOYMENT

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### INTERIM FUNDING MEMO

The Colorado Uninsured Employer (CUE) Fund was established in 2017 to provide relief to individuals injured while working for employers who failed to maintain workers' compensation insurance. Pursuant to the rules governing the CUE Fund, the Board is required to issue an annual report every June 1 setting forth the benefit level which will be paid for the following fiscal year as well as information from the previous year regarding the number of uninsured claims filed with the Division of Workers' Compensation, the number of claims for which benefits were paid, the total amount paid from the fund and descriptions of efforts to recover money from uninsured employers.

Claims with dates of injury on or after January 1, 2020 will be eligible for payment of benefits from the CUE Fund. For claims arising between that date and the issuance of the 2020-2021 annual report, funding levels will permit the payment of medical benefits only.

As of December 4, 2019, the balance in the CUE Fund is \$1,634,130.99. Since July, the Fund has received \$227,688.00 in penalty revenue, \$61,672 from no-dependent fatal claims and \$11,015 in interest payments.

The CUE Board has entered into a contract with FCC Services to administer the program. FCC services will receive a one-time initiation fee of \$27,000 and \$3,500 per year to administer claims. Estimated expenses for the first year of operation total \$102,000, representing \$72,000 in per-claim fees and \$30,000 in miscellaneous expenses (legal fees, nurse case management, investigation, bank fees, medical bill review, etc.).

To date in 2019, the Division has averaged 11 claims filed per month initially identified as uninsured. Following investigations for independent contractor claims, non-compensable injuries, etc., approximately 8 claims per month (96 per year) remain. The Board estimates 96 applications to the Fund in 2020. As the Fund has not currently opened, no amount has yet been paid.

The Board estimates the cost of paying medical benefits to injured workers admitted to the fund will exceed current revenue. NCCI estimates the average medical cost for a lost time claim in Colorado at \$25,677. Applied to the expected number of claims, paying medical benefits alone will cost \$2,464,992.00 per year. This amount exceeds the total revenue collected since July 2018; therefore, payment of benefits beyond medical benefits will not be feasible.

Pursuant to §8-67-107(1)(b) and CUE Rule 3-2(c), the Fund will be closed to new claims if the balance falls below \$250,000. This will permit the Fund to continue paying medical benefits to those injured workers previously admitted as well as administrative costs.