

Oil City Fire Department

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Testimony – The Effects of the Cancer Presumption Law on Workers Compensation Premiums for Smaller Third-Class City's

Good morning Senators, and fellow Firefighters;

My name is Steven Hinds and I was the Fire Chief for the City of Oil City Pennsylvania for the past 12 years, where I retired on March 10, 2017 after serving the City for 30 years. Prior to that, I was a Firefighter with the Cornplanter Township Volunteer Department for 14 years. I have also been Vice President of the Pennsylvania Career Fire Chiefs Association from 2016 until my retirement.

Thank you for the opportunity to offer testimony this morning regarding "The Effects of the Cancer Presumption Law on Workers Compensation Premiums".

In 2011, when Act 46 (The Cancer Presumption Act) became law it seemed as if the Fire Service had won the battle, but in fact the consequences regarding premium increases to smaller Third-Class Cities makes it seem as if we've lost the war.

Most medium to larger Third-Class Cities are self-insured regarding Worker's Compensation, but smaller Cities do not have the wherewithal or financial ability for self-insurance, so we are forced to purchase from third party providers.

It was believed in theory when the act passed that it would have negligible impact on premium costs. However, smaller municipalities have faced considerable financial impacts to the point of having to increase property taxes to cover the increases.

Oil City is an example of this significant impact. In 2011, our worker's compensation premium for 20 staff members was \$32,276, but in 2013 (post adoption of Act 46) our premiums skyrocketed to \$127,685 - a 392% increase. That increase came from our carrier PennPRIME in late November as the City

was finalizing it's 2013 budget. Subsequently, the administration was forced make an unpopular choice, to raise property taxes by .6 mills that year in order to cover this substantial increase.

Here are the Firefighter Workman's Compensation premiums that the City of Oil City has paid from 2007-2016:

2007 - \$22,665	2008 - \$25,765	2009 - \$28,200	2010 - \$30,662
2011 - \$22,444	2012 - \$32,276	2013 - \$127,685	2014 - \$166,137
2015 - \$140,502	2016 - \$148,027		

In Northwest Pennsylvania, we were not the only City affected. Others including the Cities of Franklin, Meadville, Titusville, and Warren were also adversely affected by this hefty premium increase. I've attached a spreadsheet with some examples.

The second inconsistency is how rates are calculated between Career Departments and Volunteer Departments. I conducted a poll of Oil City's bordering municipalities who are served by volunteer departments who actually have more covered members and pay as much as 18-fold less in Workman's Compensation premiums.

Examples would include Cornplanter Township with approximately 40 rostered members with an annual premium of \$8,000, Sugarcreek Borough who covers two volunteer departments and 30+ members at \$9,000 annually and lastly Cranberry Township (Venango County) the County's largest Township with roughly 45 rostered members paying \$19,000 annually. Using Cornplanter Township as an example, Oil City is paying 1850% more in premiums for half of the number of covered members. This equates to roughly \$200 per Cornplanter Volunteer and \$7,401 per Oil City Firefighter.

The discrepancy comes from the way the WC rates are calculated. For municipalities with career departments rates are calculated based on a per \$100 of earning basis plus an experience rating, while volunteer departments are on a set multiplier times a minimum loss cost.

The current SWIF rate for a volunteer department with a population of 10,000 resident similar to Oil City is \$28,921 using SWIF's multiplier of 2.789 and SWIF's minimum loss cost. The SWIF multiplier rate for career firefighters is 9.93, this multiplier times the same minimum loss cost would be \$102,974 for a municipality with a career department if the same factors were used to determine rates.

This bias between municipalities who choose to maintain paid career fire services and those use volunteer fire services regarding WC premiums is unexplainable. There is no discrimination in respect to the effects of fires, rescue, hazardous materials incidents, emergency medicine, or any other services offered by the fire service. The same risks hold true for the assumption of being diagnosed with a cancer covered by Act 46. Cancer doesn't discriminate between career and volunteer firefighters.

Therefore, the same should hold true for the method of how WC rates are calculated. The risk of being diagnosed with cancer is the same as should be the cost of protecting our firefighters.

Here are some suggestions concerning correction of the effects of Act 46 in regard to WC rates.

1. Establish a fair and equitable SWIF premium rate for WC regardless of career or volunteer.
2. Provide legislation limiting private carriers to the same rates as set by SWIF so as not to monopolize the system.
3. Require volunteer firefighters to produce a W-2 annually in order to base their WC rates on income, similar to that of career fire services. Whether you're a volunteer or career firefighter, WC would pay 66 2/3% of your salary. This solution would compute rates in a similar fashion as career firefighters.
4. The most reasonable solution to make it equal for fire services across the Commonwealth would be basing workmen's compensation on the per capita rate. Most municipalities who have career departments also have higher populations, therefore would be paying more. In that scenario, however, it's a fair and equal amount for every municipality covering their firefighters.

Thank you for the opportunity to provide feedback on an issue I have been passionate about since Act 46 passed and that has caused a real financial burden to the City of Oil City.

Sincerely,

Steven T. Hinds, EMT/P
Fire Chief (Ret.) – City of Oil City
Vice President – Pennsylvania Career Fire Chiefs Association

YEAR	Oil City	Franklin	Titusville	Meadville
Employees	16FTE + 5PTE	7FTE + 11PTE	7 FTE + 6 PTE	13 FTE
2007	\$22,665.00	N/A	\$8,853.00	\$46,160.00
2008	\$25,765.00	N/A	N/A	\$44,560.00
2009	\$28,200.00	N/A	N/A	\$41,840.00
2010	\$30,662.00	N/A	\$7,909.00	\$47,680.00
2011	\$22,444.00	N/A	\$8,548.00	\$48,000.00
2012	\$32,276.00	N/A	\$12,379.00	\$43,600.00
2013	\$127,685.00	\$26,926.00	\$18,888.00	\$130,960.00
2014	\$166,137.00	\$72,823.00	\$44,240.00	\$119,040.00
2015	\$140,502.00	\$63,648.00	\$23,535.00	\$115,760.00
2016	\$148,027.00	\$25,523**	\$23,081.00	\$117,254.00

** Changed to Northwest Savings

Warren

17 FTE + 14

\$35,156.00

\$39,831.00

\$44,197.00

\$52,342.00

\$64,179.00

\$62,568.00

\$86,598.00

\$98,947.00 *

\$100,609.00 *

\$105,640.00 *

* Changed to SWIF