

State of Alaska
FY2003 Governor's Operating Budget

Department of Labor and Workforce Development
Workers' Compensation
Budget Request Unit Budget Summary

Workers' Compensation Budget Request Unit

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BRU Mission

The mission of the Division of Workers' Compensation is to ensure that injured Alaska workers receive fair benefits.

BRU Services Provided

The Workers' Compensation component is the administrative arm of the Alaska Workers' Compensation Board, enforcing the Workers' Compensation Act.

The Fishermen's Fund component provides for the care and treatment of Alaska commercial fishermen whose injuries or illnesses are directly connected to operations as fishermen on shore or in Alaska waters.

The Second Injury Fund component ensures that workers' compensation insurance premiums for employees suffering from a condition caused by an earlier injury are equivalent to those of able-bodied workers.

BRU Goals and Strategies

1) ASSURE THAT EMPLOYEES ARE PROPERLY COMPENSATED FOR THEIR WORK RELATED INJURIES OR ILLNESSES AND THAT EMPLOYERS RIGHTS ARE PROTECTED.

- Perform uninsured employer investigations.
- Improve scheduling process and increase the number of workers' compensation hearings.
- Maintain database of all aspects of workers' compensation in the State of Alaska.
- Increase efficiencies through the development of an electronic filing system with the new Information Handling System.
- Improve mediation process for workers' compensation disputes.
- Provide for general compliance with the Workers' Compensation Act.

2) PROPERLY MONITOR PAYMENTS TO AND FROM THE SECOND INJURY FUND TO ASSURE THE VIABILITY AND STABILITY OF THE FUND.

- Closely monitor Second Injury reimbursements to establish the correct formula for contribution rates from employers.
- Enforce late filing penalties to encourage timely submission of compensation reports.
- Develop a more efficient method of recording and crediting Second Injury Fund payments.

3) INCREASE COMMUNICATION AND CREATE EFFICIENCIES TO REDUCE THE FINANCIAL BURDEN ON FISHERMEN.

- Develop and implement an electronic information handling system which will be compatible with electronic filing.
- Enhance and facilitate services to fishermen and providers by meeting with hospital administrators and fishing organizations to discuss the program, problems and suggestions for improvement.
- Improve communications with insurance carriers, fishermen and providers.
- Continue to improve and refine the Fishermen and Physician's Reports of Injury/Illness.

- Further revise and simplify the Fishermen's Fund booklet.

Key BRU Issues for FY2002 – 2003

- Decrease the Workers' Compensation hearing time lag in order to reduce the burden and expense to employers and employees.
- Continue investigations of potentially uninsured employers in an attempt to eliminate the number of uninsured Alaskan workers that are injured each year.
- Due to the Supreme Court decision in Arctic Bowl v Second Injury Fund as well as other causes there has been an increase in the number of approvals for recovery from the Fund. Budget increases in FY01 and FY02 were granted to deal with this issue, but this needs to be followed closely to assure that there are sufficient funds to cover increased liabilities.
- Initiate a pilot project for electronic data interchange (electronic filing) to increase efficiencies which will allow for more effective use of human resources. A capital project to fund this has been submitted for inclusion in the FY 2003 budget.
- The Fishermen's Fund has been using an outdated computerized database and claims handling system that is becoming obsolete and will soon be unworkable. Consequently existing program resources are being applied to developing a new claims handling system.
- Increase Alaska commercial fishermen's awareness of the Fishermens Fund program through meetings, speaking engagements and availability of literature related to the program. This continues to be a key issue of this program due to nature and level of activity in this industry.
- Strive to further improve the response time in the processing of claims, invoices and responding to inquiries.

Major BRU Accomplishments in 2001

- This BRU has greatly reduced its reliance on pure general funds with the development of the Workers' Safety and Compensation Fund.
- This BRU developed improvements to the new Information Handling System computer program allowing greater and more accurate availability of workers' compensation data.
- The Division and the Department worked with the Legislature to create an increment in the FY02 budget which allowed for the hiring of a new hearing officer providing the resources to address hearing time lag and back log.
- There continue to be reductions in the number of uninsured workplace injuries as a result of investigative efforts by the department that identify and contact potentially uninsured employers prior to an injury occurring.
- The Second Injury Fund received approximately 80% of the annual reports electronically and approximately 95% of all annual reports were filed timely.
- As a result of Council recommendations, the Fishermen and Physician's Reports of Injury/Illness and informational booklet continues to be revised and simplified.
- The Fishermen's Fund has increased communications with providers which has resulted in improved service.

Key Performance Measures for FY2003

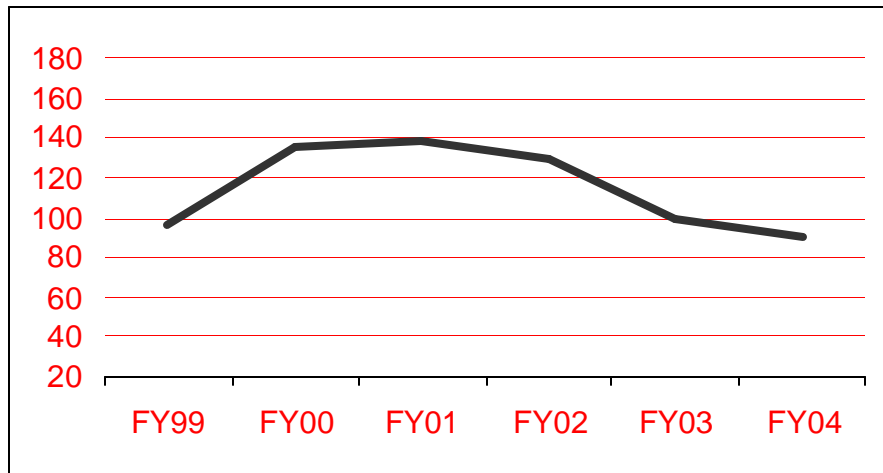
Measure:

The average time taken from a compensation hearing request until the date on which the hearing is scheduled.
Sec 90(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Released December 15th
12/18/2001 1:49

FY2003 Governor
Department of Labor and Workforce Development



Reduce the time lag between the request and scheduling of a hearing.

FY99 - 95.8 days

FY00 - 135.6 days

FY01 - 137.7 days

FY02 - 130 days (projection)

FY03 - 100 days (projection)

FY04 - 90 days (projection)

The time lag has gotten worse because of two major factors: the hearing case load has been going up; and because of funding reductions, we had fewer hearing officers.

Benchmark Comparisons:

The benchmark for this measurement is 90 days. This is based on AS 23.30.110(c). This subsection of the statute provides for a hearing to be scheduled within 60 days of request if not opposed by a party. If an opposition is filed, as they are in the vast majority of cases, a prehearing must be held within 30 days to set a hearing. If the hearing is scheduled within 60 days from the prehearing, 90 days to set a hearing from the date of request is a reasonable benchmark. The division expects to be able to begin meeting the 90 day benchmark in FY04 if the current level of funding is not reduced.

Background and Strategies:

The increase in the hearing time lag was noted in FY00. There was an elimination of a hearing officer as a result of budget cuts, and at the same time there was a corresponding rise in the overall hearing caseload. The legislature granted an increment in the FY02 budget for an additional hearing officer to address the problem. The hearing officer was hired in September of 2001 and additional hearings are currently being scheduled.

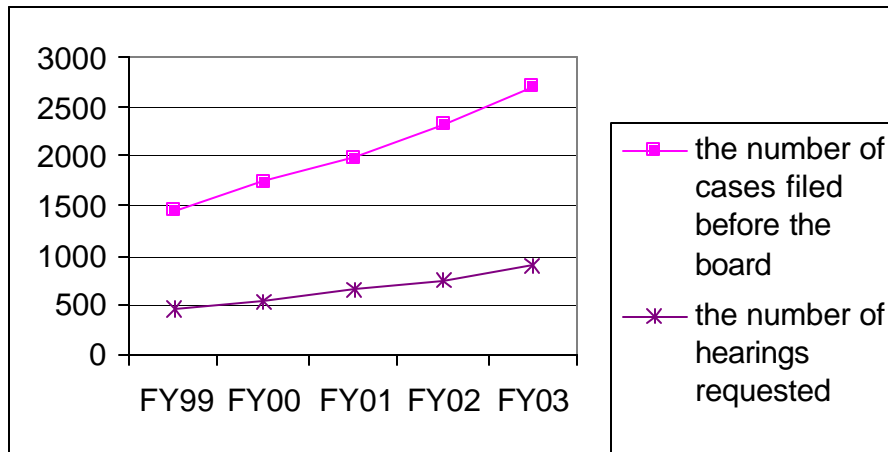
The Department promulgated and the Workers' Compensation Board approved a new regulation that would require hearings to be scheduled within 60 days from prehearings to further define the legislative intent in AS 23.30.110(c). The regulation will have to be approved by the Department of Law and filed by the Lieutenant Governor to become final. The department anticipates that it will be finalized and in place by the end of fiscal year 2002.

An additional Workers' Compensation Board panel in the Anchorage venue would expedite the handling of cases to both reduce the time lag and address the back log. The department will present this situation to the legislature.

Measure:

The number of cases filed before the Workers' Compensation Board compared to the number of requests for hearing. Sec 90(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:



Determine the hearing caseload

FY99 - 1446 cases filed - 459 hearings requested

FY00 - 1746 cases filed - 539 hearings requested

FY01 - 1987 cases filed - 651 hearings requested

FY02 - 2324 cases filed - 760 hearings requested (projections based on current trends)

FY03 - 2700 cases filed - 890 hearings requested (projections based on current trends)

Benchmark Comparisons:

There is no benchmark for this measure. This measurement will help determine the hearing caseload to give better understanding to hearing time lag and backlog problems.

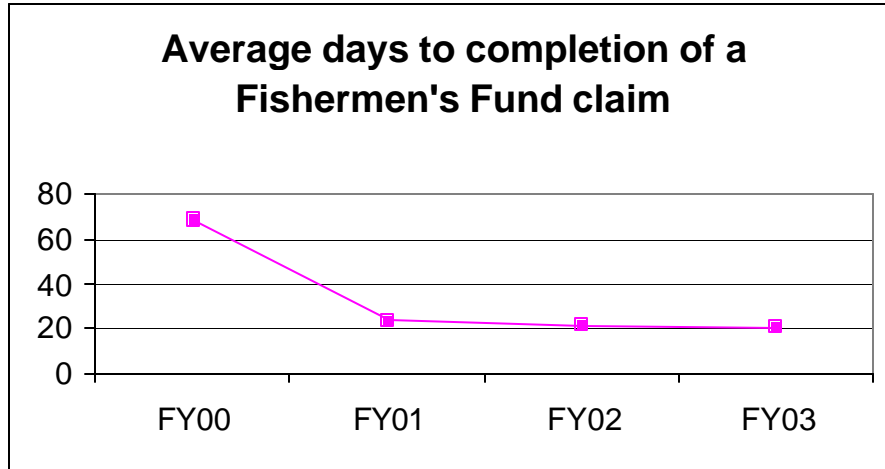
Background and Strategies:

This measurement was requested by the house legislative budget subcommittee and will track the increases in both the number of cases filed and the number of hearings. Not all cases filed reach the hearing stage as a number are settled or otherwise resolved prior to the arrival of the hearing date.

Measure:

The average time taken for completion of a Fishermen's Fund claim.
Sec 90(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:



Reduce the average time to process a Fishermen's Fund Claim.

- FY00 - 68.7 days
- FY01 - 23.7 days
- FY02 - 21 days (projection)
- FY03 - 20 days (projection)

Benchmark Comparisons:

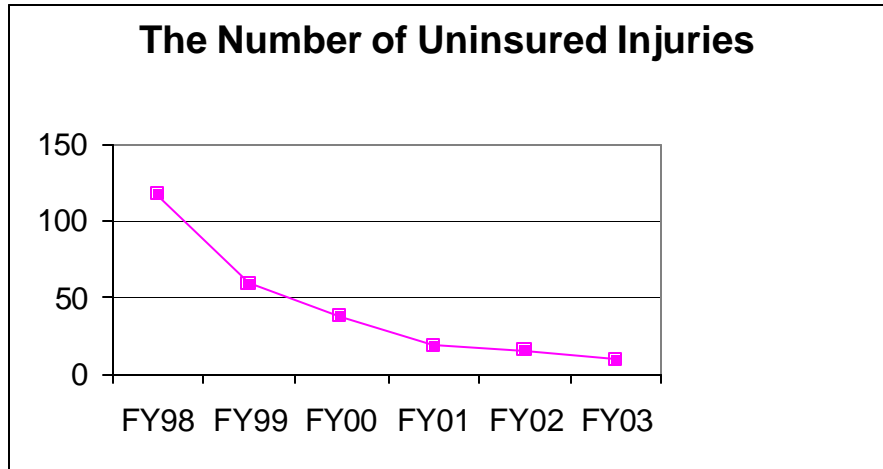
The Benchmark is 30 days. We chose this for the benchmark because the business, medical and insurance community generally accept 30-45 days as a reasonable turnaround time for the payment of bills.

Background and Strategies:

Because of complaints by fishermen and medical providers that the Fund was taking too long to pay claims, a strategy to reduce that time was needed. The agency developed a number of internal management policies to simplify the process, the forms and the requirements to create efficiencies and reduce processing time. The agency also developed a strategy of training and communicating with the providers and fishermen to aid in the filing of claims.

Measure:

The number of uninsured workplace injuries.
 Sec 90(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Reduction of uninsured injuries

FY98 - 117

FY99 - 59

FY00 - 38

FY01 - 19

FY02 - 15 (projections)

FY03 - 10 (projections)

Benchmark Comparisons:

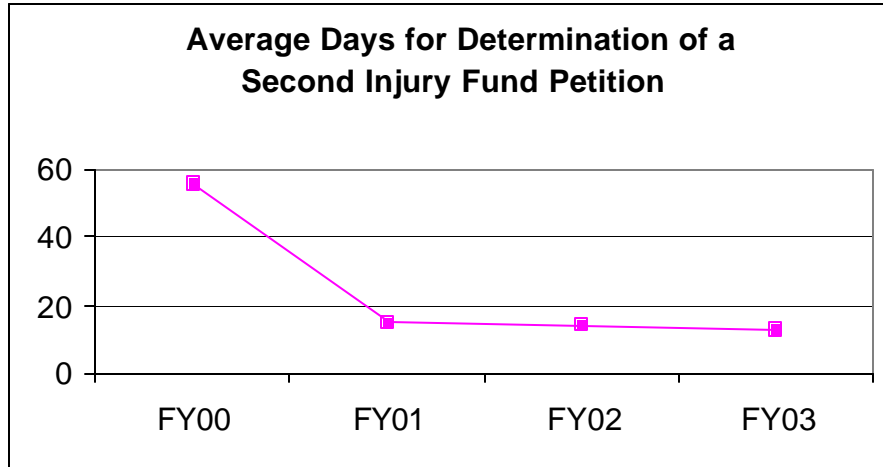
Since the law says that all employers must insure all their employees the benchmark for this must be zero uninsured injuries.

Background and Strategies:

Because of the rise of uninsured injuries the Division hired an investigator in FY99. The investigator performs investigations and promotes legal compliance through computer generated information inquiries; letters to uninsured employers; on site investigations, cease and desist orders, accusations before the Workers' Compensation Board; testimony before the Board which leads to stop orders and fines; and evidence and testimony in criminal prosecutions through the Department of Law. These activities have been greatly enhanced by the new computer system.

Measure:

The average time taken for completion of a Second Injury Fund petition.
Sec 90(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Reduce response time on a Second Injury Fund petition determination.

FY00 - 56 days

FY01 - 15 days

FY02 - 14 days (projections)

FY03 - 13 days (projections)

Benchmark Comparisons:

The benchmark is 30 days. This benchmark is based on the premise that the insurance industry and general business practices consider 30 to 45 days to process payments a reasonable time period.

Background and Strategies:

Because the reimbursement of compensation benefits to employers is the primary function of the Second Injury Fund, and because of complaints about timeliness on decisions, monitoring the determination of Petitions for coverage is an important measure. The agency accomplished reductions by focusing on prioritizing the Petitions and organizing information gathering to make determinations as soon as possible. This effort was greatly enhanced by better computer tracking of these cases with the new computer system.

**Workers' Compensation
BRU Financial Summary by Component**

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula Expenditures</u>												
None.												
<u>Non-Formula Expenditures</u>												
Fishermens Fund	0.0	0.0	746.4	746.4	0.0	0.0	1,307.8	1,307.8	0.0	0.0	1,312.2	1,312.2
Workers' Compensation	1,370.4	0.0	1,061.9	2,432.3	785.6	0.0	1,772.4	2,558.0	173.5	0.0	2,436.3	2,609.8
Second Injury Fund	0.0	0.0	3,155.4	3,155.4	0.0	0.0	3,178.6	3,178.6	0.0	0.0	3,182.5	3,182.5
Totals	1,370.4	0.0	4,963.7	6,334.1	785.6	0.0	6,258.8	7,044.4	173.5	0.0	6,931.0	7,104.5

Workers' Compensation

Proposed Changes in Levels of Service for FY2003

This BRU intends to increase overall effectiveness, industry awareness and the level of services, and number of hearings, as well as the number of uninsured employer investigations.

Workers' Compensation

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	785.6	0.0	6,258.8	7,044.4
Adjustments which will continue current level of service:				
-Fishermens Fund	0.0	0.0	4.4	4.4
-Workers' Compensation	-612.1	0.0	663.9	51.8
-Second Injury Fund	0.0	0.0	3.9	3.9
FY2003 Governor	173.5	0.0	6,931.0	7,104.5