

State of Alaska
FY2004 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.

Proposed Change:

The mission of the Division of Workers' Compensation is to ensure that injured Alaska workers receive benefits as defined by law.

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.
- Increase the number of workers' compensation hearings to reduce hearing backlog.
- 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 (the pilot projects have begun).
- Improve mediation process for workers' compensation disputes.

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.
- Continue developing 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 that will be compatible with electronic filing (the initial

stages of the project have begun).

- 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.
- Continue to improve communications with insurance carriers, fishermen and providers with direct contact and educational meetings.
- Further revise and simplify the Fishermen's Fund booklet.

Key BRU Issues for FY2003 – 2004

- Decreasing the Workers' Compensation hearing time lag in order to reduce the burden and expense to employers and employees remains a key issue.
- The Second Injury Fund will be monitored closely to assure that there are sufficient funds to cover liabilities. The liberalization of qualifications from the Supreme Court Case of Arctic Bowl v. Second Injury Fund resulted in the need for more careful monitoring of the fund.
- Complete and expand the pilot project for electronic data interchange (electronic filing) to increase efficiencies that will allow for more effective use of human resources. A capital project to fund Phase 1 approved in the FY 2003 budget.
- Replace the obsolete Fishermen's Fund computerized database and claims handling system.
- Continue efforts to increase Alaska commercial fishermen's awareness of the Fishermens Fund program through meetings, speaking engagements and availability of literature related to the program.
- Continue investigations of potentially uninsured employers in an attempt to eliminate the number of uninsured Alaskan workers that are injured each year.
- Investigate potential legislative and administrative possibilities so that uninsured injured workers' can be compensated for their injuries.

Major BRU Accomplishments in 2002

- This BRU has almost completely eliminated its reliance on general funds with the development of the Workers' Safety and Compensation Fund.
- The Division has initiated programming for the pilot project for electronic filing of proof of coverage and for payments of claims.
- The Department promoted and the legislature passed an amendment to the workers' compensation statute that will provide an additional panel to the workers compensation board in Anchorage. This will help alleviate the backlog of cases before the Board.
- 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 nearly 100% of the annual reports filed by insurance companies and self-insured employers electronically.
- The Fisherman's Fund has initiated contract procedures to develop a new information handling system.

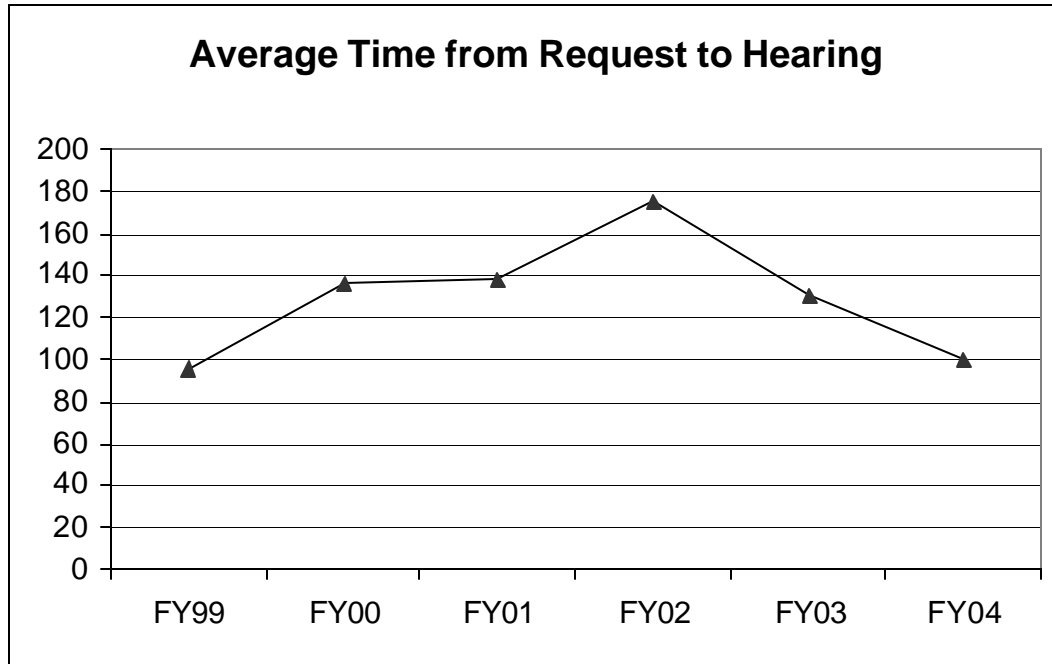
Key Performance Measures for FY2004

Measure:

The average time taken from a compensation hearing request until the date on which the hearing is scheduled.

Sec 90(b)(1) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:



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 - 175.4 days

FY03 - 130 days (projection)

FY04 - 100 days (projection)

The time lag is expected to continue to decrease as the new regulation takes full effect and the additional hearing officer and the new Anchorage panel come up to speed.

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.

The Department promulgated and the Workers' Compensation Board approved a new regulation that requires hearings to be scheduled within 60 days from prehearings to further define the legislative intent in AS 23.30.110(c). This regulation went into effect in April of 2002.

An additional Workers' Compensation Board panel in Anchorage was granted by the legislature during the last session. This panel will be selected by the Governor in January of 2003 and should help reduce the time lag and address the backlog.

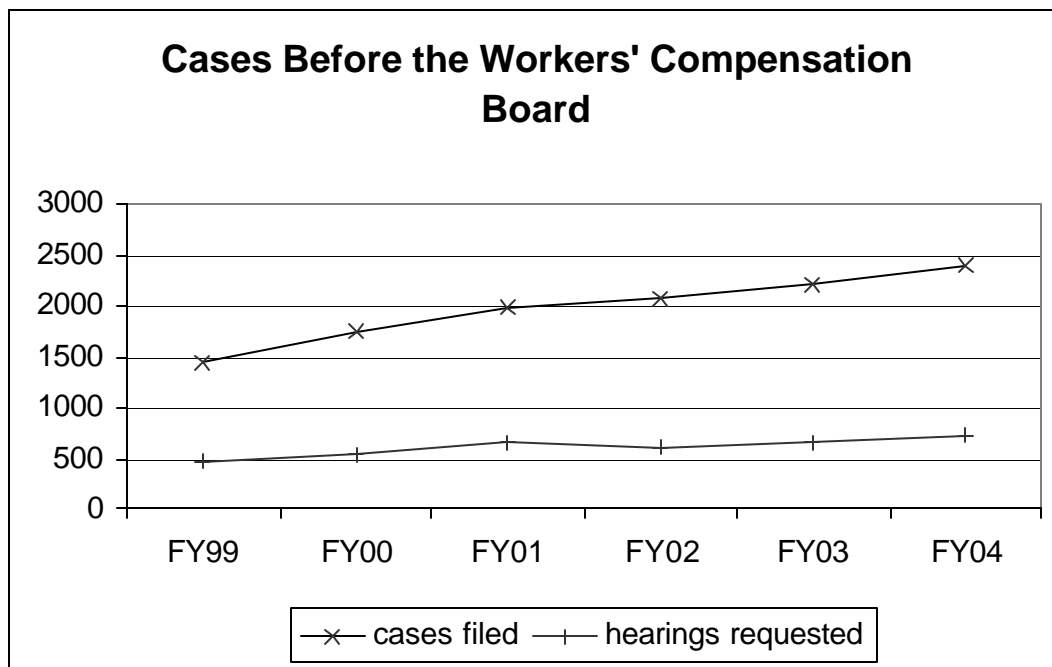
Because of the panel in Anchorage and the additional hearing officer, the Division has scheduled additional hearing dates during the 2003 calendar year that will reduce the backlog and time lag.

Measure:

The number of cases filed before the Workers' Compensation Board compared to the number of requests for hearing.

Sec 90(b)(2) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:



Determine the hearing caseload

- FY99 - 1,446 cases filed - 459 hearings requested
- FY00 - 1,746 cases filed - 539 hearings requested
- FY01 - 1,987 cases filed - 651 hearings requested
- FY02 - 2,061 cases filed - 602 hearings requested
- FY03 - 2,205 cases filed - 661 hearings requested (projection based on current trends)
- FY04 - 2,400 cases filed - 720 hearings requested (projection based on current trends)

Benchmark Comparisons:

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

Background and Strategies:

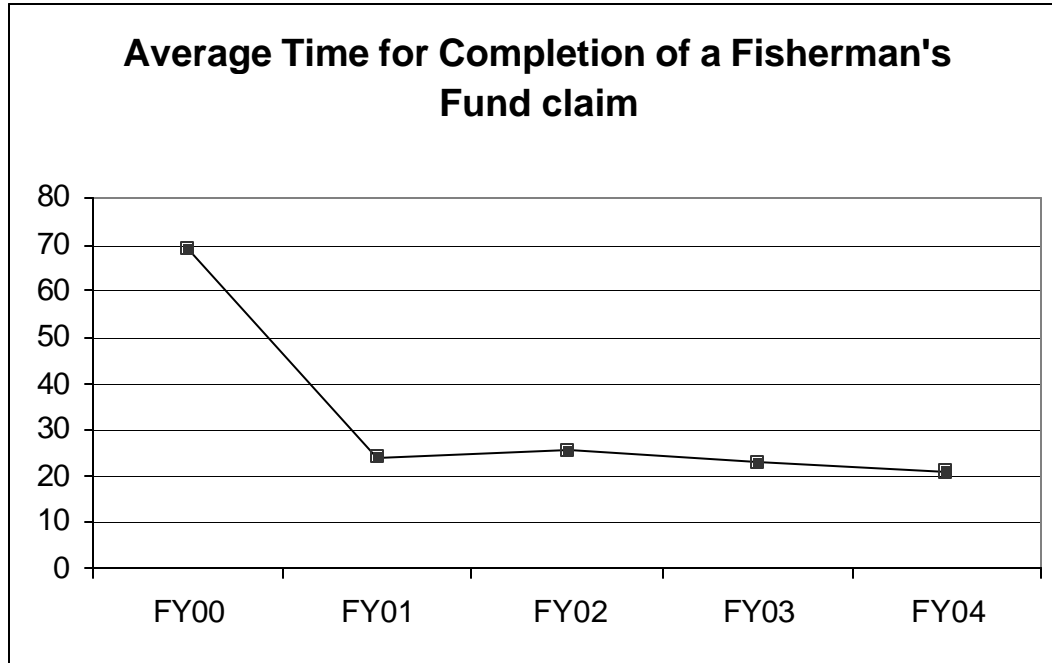
This measurement was requested by the house legislative budget subcommittee and will track the increases in both the number of cases filed and the number of hearings. Not all cases filed reach the hearing stage as a number are settled or otherwise resolved prior to the arrival of the hearing date.

Measure:

The average time taken for completion of a Fishermen's Fund claim.

Sec 90(b)(3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:



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

FY00 - 68.7 days

FY01 - 23.7 days

FY02 - 25.4 days

FY03 - 23 days (projection)

FY04 - 21 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 time period to process payments.

Background and Strategies:

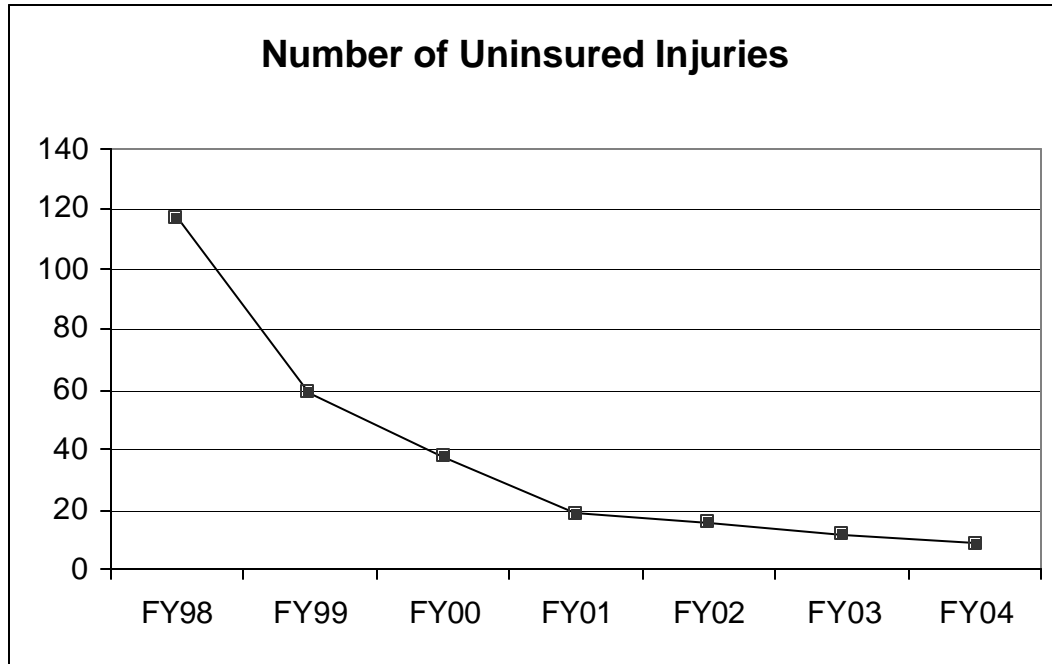
Because of complaints by fishermen and medical providers that the Fund was taking too long to pay claims, a strategy to reduce that time was needed. The agency developed a number of internal management policies to simplify the process, the forms and the requirements to create efficiencies and reduce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

Measure:

The number of uninsured workplace injuries.

Sec 90(b)(4) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:



Reduction of uninsured injuries

FY98 - 117

FY99 - 59

FY00 - 38

FY01 - 19

FY02 - 16

FY03 - 12 (projection)

FY04 - 9 (projection)

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:

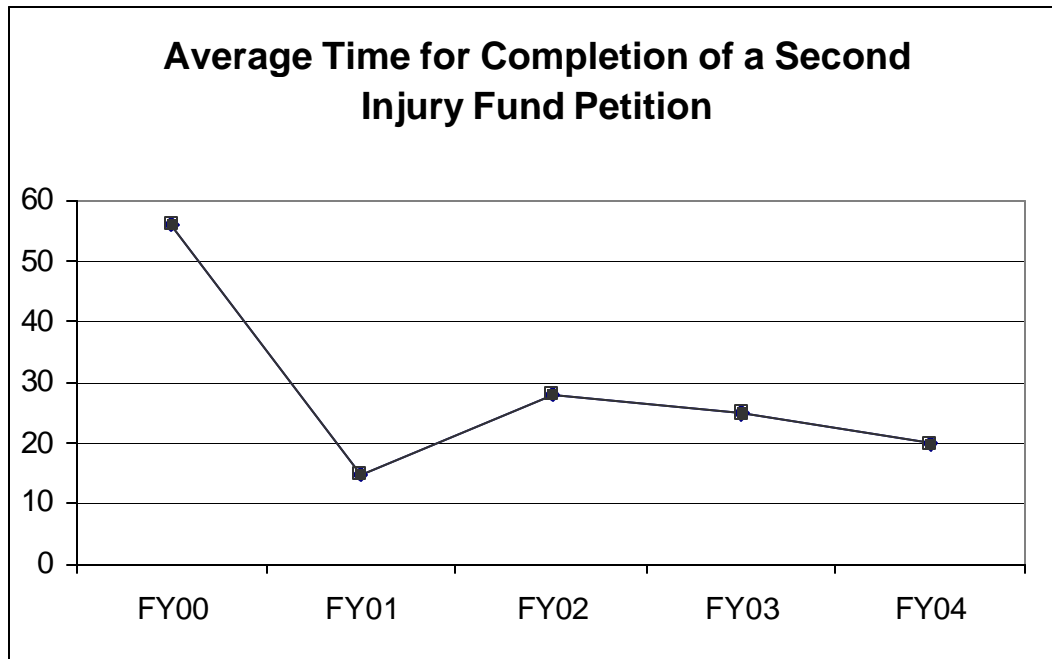
Because of the rise of uninsured injuries the Division hired an investigator in FY99. The investigator performs investigations and promotes legal compliance through computer generated information inquiries; letters to uninsured employers; on site investigations, cease and desist orders, accusations before 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 124 SLA 2002(HB 515)

Alaska's Target & Progress:



Reduce response time on a Second Injury Fund petition determination.

FY00 - 56 days

FY01 - 15 days

FY02 - 28 days

FY03 - 25 days (projection)

FY04 - 20 days (projection)

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 a reasonable time period to process payments.

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

	FY2002 Actuals				FY2003 Authorized				FY2004 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>												
Workers' Compensation	715.4	0.0	1,731.1	2,446.5	0.0	0.0	0.0	0.0	0.0	0.0	2,788.2	2,788.2
Second Injury Fund	0.0	0.0	3,141.6	3,141.6	0.0	0.0	0.0	0.0	0.0	0.0	3,185.9	3,185.9
Fishermens Fund	0.0	0.0	807.9	807.9	0.0	0.0	0.0	0.0	0.0	0.0	1,313.8	1,313.8
Totals	715.4	0.0	5,680.6	6,396.0	0.0	0.0	0.0	0.0	0.0	0.0	7,287.9	7,287.9

Workers' Compensation

Proposed Changes in Levels of Service for FY2004

Add electronic filing capacity to the division's new Information Handling System.

In the FY 2003 budget process the legislature cahnged reporting for the components of this BRU from Workers' Compensation to the Office of the Commissioner BRU. In FY 04 the components are again part of the Workers' Compensation BRU. This change causes the budget system to display the FY 2003 Authorized budget for the BRU as zero, however, the department and component budget information is displayed correctly.

Workers' Compensation

Summary of BRU Budget Changes by Component

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Workers' Compensation	-157.8	0.0	179.1	21.3
-Second Injury Fund	0.0	0.0	3.4	3.4
-Fishermens Fund	0.0	0.0	1.6	1.6
Proposed budget decreases:				
-Workers' Compensation	-15.7	0.0	0.0	-15.7
Proposed budget increases:				
-Workers' Compensation	0.0	0.0	167.8	167.8
FY2004 Governor	0.0	0.0	7,287.9	7,287.9