

# **State of Alaska FY2007 Governor's Operating Budget**

## **Department of Labor and Workforce Development Workers' Compensation Results Delivery Unit Budget Summary**

## Workers' Compensation Results Delivery Unit

### Contribution to Department's Mission

The Workers' Compensation RDU contributes to the department's mission of advancing employment opportunities. It does so by ensuring the efficient, fair and predictable delivery of indemnity, medical and vocational rehabilitation benefits intended to enable workers to return to work at a reasonable cost to employers; administering the Second Injury Fund to reduce financial disincentives to reemployment of disabled workers, and administering the Fishermen's Fund to pay medical bills for the occupational injuries and illnesses of commercial fishermen.

### Core Services

The Workers' Compensation Act established a Board to set policy and insure proper implementation of the Act's benefits and requirements. The workers' compensation component is the Board's administrative arm. It maintains a comprehensive database, disseminates information, investigates complaints, informally resolves disputes, and aids the Board's provision of fair, formal hearings on disputed claims. It also assists the Board in enforcing the requirement that employers either insure or qualify to self-insure their workers' compensation liabilities.

In November 2005 the Workers' Compensation Act was amended to create the Workers' Compensation Appeals Commission. This commission has jurisdiction to hear appeals from final decisions and orders of the Workers' Compensation Board.

The Fishermen's Fund component pays the costs of health care and medical treatment, provided to Alaskan commercial fishermen for occupational injuries or illnesses directly connected to operations on shore or in Alaska waters, when the costs are not covered by public or private insurance.

The Second Injury Fund component reduces financial disincentives to reemployment of disabled workers. This is done by limiting a subsequent employer's liability for compensation payable when a previously disabled employee sustains a second injury causing additional disability.

End Results	Strategies to Achieve Results
<b>A: All employers comply with AS 23.30, the Alaska Workers' Compensation Act</b> <u>Target #1:</u> Zero uninsured employers. <u>Measure #1:</u> Percent of uninsured employers.  <u>Target #2:</u> Zero uninsured employee injuries. <u>Measure #2:</u> Number of uninsured employee injuries.	<b>A1: Quarterly review of cancelled Workers' Compensation policies.</b>  <u>Target #1:</u> Investigate 100% of Workers' Compensation policy cancellation notices. <u>Measure #1:</u> Number of employers reviewed that cancelled their workers' compensation insurance policy or had their policy expire.  <u>Target #2:</u> Investigate employers suspected of illegally operating without workers' compensation insurance coverage. <u>Measure #2:</u> Number of employers discovered and brought into compliance.
End Results	Strategies to Achieve Results
<b>B: Improved delivery of efficient, low cost and legal program benefits.</b>  <u>Target #1:</u> Parties will have hearing scheduled within 90	<b>B1: Shorten the time lag for workers' compensation hearings.</b>  <u>Target #1:</u> Settle disputed issues whenever possible

<p>days of notice of readiness.</p> <p><u>Measure #1:</u> Number of days it takes from request of workers' compensation hearing to date of hearing.</p> <p><u>Target #2:</u> 100% of all written decisions will be issued within 30 days of record closure.</p> <p><u>Measure #2:</u> Percent of written decisions issued within 30 days.</p>	<p>during prehearing conferences.</p> <p><u>Measure #1:</u> The number of disputed issues that are settled at prehearing conferences and don't require a formal hearing.</p>
<b>End Results</b>	<b>Strategies to Achieve Results</b>
<p><b>C: More Alaskans with Jobs:</b></p> <p><u>Target #1:</u> Requests for reimbursement from the Fishermen's Fund will be paid within 20 days of receipt.</p> <p><u>Measure #1:</u> The number of days between the receipt of a Fishermen's Fund claim and payment.</p> <p><u>Target #2:</u> 10% of injured workers' eligible for reemployment benefits complete a viable retraining plan.</p> <p><u>Measure #2:</u> Percent of injured workers, who are eligible for reemployment benefits, who complete a retraining plan.</p>	<p><b>C1: Reduce length of time it takes to get Fishermen's Fund Council's approval of claims.</b></p> <p><u>Target #1:</u> Reduce number of days it takes to get Council's approval of claims by 25%.</p> <p><u>Measure #1:</u> Number of days to get Council's approval of claims.</p> <p><b>C2: Reduce the number of training plans that need to be returned to the rehabilitation specialists for revisions.</b></p> <p><u>Target #1:</u> Reduce the number of retraining plans that are returned to the rehabilitation specialists by 20%.</p> <p><u>Measure #1:</u> Percent of retraining plans returned to the rehabilitation specialists.</p> <p><b>C3: Quarterly review of status of cases pending with rehabilitation specialists.</b></p> <p><u>Target #1:</u> Review of all pending retraining plans will be performed quarterly.</p> <p><u>Measure #1:</u> Number of retraining plans reviewed each quarter.</p>

Major Activities to Advance Strategies
<ul style="list-style-type: none"> <li>• Improve hearing officer/workers' compensation officer mediation skills.</li> <li>• Increase efficiency of dispute resolution procedures.</li> <li>• Continue development of electronic data interface system and improve reporting/identification of potential uninsured employers.</li> <li>• Development of fraud investigations unit.</li> </ul>

FY2007 Resources Allocated to Achieve Results								
<p><b>FY2007 Results Delivery Unit Budget: \$10,875,400</b></p> <table> <thead> <tr> <th data-bbox="915 1643 1062 1674">Personnel:</th> <th></th> </tr> </thead> <tbody> <tr> <td data-bbox="915 1681 1029 1712">Full time</td> <td data-bbox="1290 1681 1323 1712">53</td> </tr> <tr> <td data-bbox="915 1719 1029 1750">Part time</td> <td data-bbox="1290 1719 1323 1750">1</td> </tr> <tr> <td data-bbox="915 1757 980 1788"><b>Total</b></td> <td data-bbox="1290 1757 1323 1788"><b>54</b></td> </tr> </tbody> </table>	Personnel:		Full time	53	Part time	1	<b>Total</b>	<b>54</b>
Personnel:								
Full time	53							
Part time	1							
<b>Total</b>	<b>54</b>							

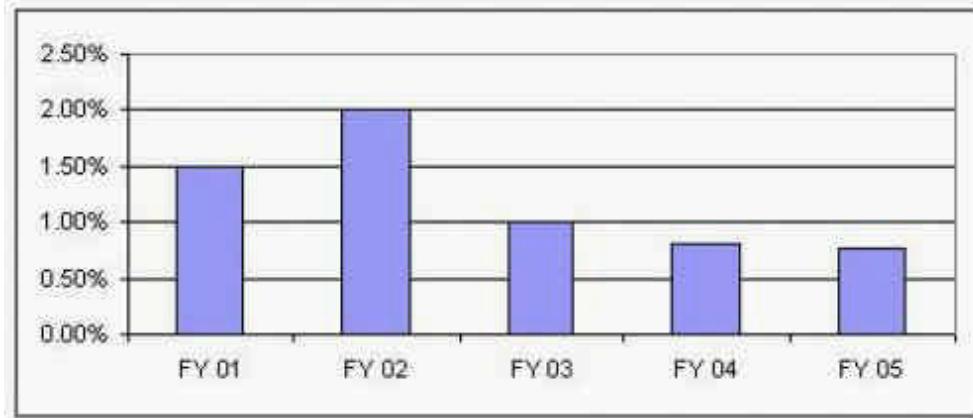
## Performance Measure Detail

### A: Result - All employers comply with AS 23.30, the Alaska Workers' Compensation Act

**Target #1:** Zero uninsured employers.

**Measure #1:** Percent of uninsured employers.

**Percent of Uninsured Employers**



**Analysis of results and challenges:** The target for this measurement is zero uninsured employers. This target is set at zero because the law requires all employers to cover their employees under the Workers' Compensation Act. The percent of employers who are uninsured has been decreasing steadily since 2002. The division has an investigator who reviews all notices of cancelled or expired Workers' Compensation insurance policies to verify if they have been replaced or renewed. We intend to develop a means to electronically compare our database with the Unemployment Insurance database to locate employers that are noncompliant with one law while compliant with the other.

**Target #2:** Zero uninsured employee injuries.

**Measure #2:** Number of uninsured employee injuries.

**Number of Uninsured Injuries**



**Number & Percent of Uninsured Injuries to Total Workforce**

Year	Injuries	Workforce	YTD Total
2001	19	271,126	.007%
2002	16	275,476	.0058%
2003	15	283,444	.0053%
2004	29	282,400	.0103%
2005	27	286,900	.0094%

**Analysis of results and challenges:** Although the number of uninsured injuries has increased over the last two years, the percent of uninsured injuries has decreased based on the total workforce. We believe it is important to compare the number of uninsured employee injuries to the total number of employees year to year in order to show the true reduction in uninsured injuries.

Although the division works hard to locate uninsured employers, sometimes the only way we discover a problem is when an employee is injured. The additional Investigator positions added in FY2006 will allow us to do more on-site inspections and locate employers who are operating without Workers' Compensation insurance coverage.

**A1: Strategy - Quarterly review of cancelled Workers' Compensation policies.**

**Target #1:** Investigate 100% of Workers' Compensation policy cancellation notices.

**Measure #1:** Number of employers reviewed that cancelled their workers' compensation insurance policy or had their policy expire.

**Number of Cancelled Policies Reviewed**

Fiscal Year	YTD Total
FY 2003	4,470
FY 2004	3,895
FY 2005	3,620

**Analysis of results and challenges:** Since hiring an investigator, the division has researched 100% of the workers' compensation insurance policies that have been cancelled or allowed to expire. Files are opened on all cases where an employer does not document proof of current coverage, or can verify they are no longer using employees or have gone out of business. Most employers have purchased coverage under another policy, those who do not supply satisfactory evidence of coverage or of no longer needing coverage are brought before the Workers' Compensation Board.

**Target #2:** Investigate employers suspected of illegally operating without workers' compensation insurance coverage.

**Measure #2:** Number of employers discovered and brought into compliance.

**Number of Employers Purchasing Workers' Compensation Coverage**

Fiscal Year	YTD Total
FY 2002	129
FY 2003	189
FY 2004	158
FY 2005	141

**Analysis of results and challenges:** The Division currently has one investigator to conduct investigations, bring actions against uninsured employers before the Workers' Compensation Board, and present evidence and testimony which can lead to stop orders, fines, and criminal prosecution through the Department of Law.

Since the creation of this investigator position, the division has observed a reduction in the number of uninsured injuries and in the number of employers we locate who are operating without Workers' Compensation coverage.

for their employees.

SB 130 authorized the creation of a fraud unit in FY2006 to step up investigations of uninsured employers and to establish a toll-free line where the public can notify the division of potential abuse of the Workers' Compensation Act.

## B: Result - Improved delivery of efficient, low cost and legal program benefits.

**Target #1:** Parties will have hearing scheduled within 90 days of notice of readiness.

**Measure #1:** Number of days it takes from request of workers' compensation hearing to date of hearing.

**Number of Days Between Request for Hearing & Hearing Date**

Fiscal Year	YTD Total
FY 2000	135
FY 2001	137
FY 2002	175
FY 2003	90
FY 2004	90
FY 2005	117

**Analysis of results and challenges:** AS 23.30.110(c) 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 conference must be held within 30 days to set a hearing. If the hearing is scheduled within 60 days from the prehearing conference, 90 days to set a hearing from the date of request is reasonable.

Although we were not able to meet our 90-day goal in FY2005, we believe the majority of cases were held timely and many of those held later resulted from the parties requesting additional time for preparation.

**Target #2:** 100% of all written decisions will be issued within 30 days of record closure.

**Measure #2:** Percent of written decisions issued within 30 days.

**Percent of Written Decisions Issued in 30 Days**

Fiscal Year	YTD Total
FY 2005	92.2%

**Analysis of results and challenges:** FY05 establishes the baseline for this target. The division has 30 days to complete its work and write a formal decision and order based on the Workers' Compensation Board's determination.

## B1: Strategy - Shorten the time lag for workers' compensation hearings.

**Target #1:** Settle disputed issues whenever possible during prehearing conferences.

**Measure #1:** The number of disputed issues that are settled at prehearing conferences and don't require a formal hearing.

**Number of Disputed Issues Settled & Resolved**

Year	YTD Total
2000	621
2001	636
2002	630
2003	818
2004	811
2005	1,165

**Analysis of results and challenges:** A number of issues are settled or otherwise resolved prior to a hearing. It is the goal of the division for parties to reach agreement on issues prior to the need for a formal hearing. From FY 04 to FY 05 the number of issues settled without the need of a formal hearing increased dramatically.

**C: Result - More Alaskans with Jobs:**

**Target #1:** Requests for reimbursement from the Fishermen's Fund will be paid within 20 days of receipt.

**Measure #1:** The number of days between the receipt of a Fishermen's Fund claim and payment.

**Number of Days to Pay Claim**

Fiscal Year	YTD Total
FY 2000	68
FY 2001	29
FY 2002	28
FY 2003	28
FY 2004	25
FY 2005	22

**Analysis of results and challenges:** The measurement for this target is the number of days between the filing of a Fishermen's Fund claim and the date of payment. The goal is to pay claims within 20 days. Ensuring providers are paid promptly will allow fishermen to receive treatment and they will not neglect care from a lack of funds. This will aid a fisherman's recovery so they can return to work as soon as possible. Between FY 00 and 05 the average time was reduced from 68 days to 22 days.

The Fishermen's Fund new claims management computer system has allowed us to reduce the length of time it takes to process claims. However, we are still concerned with the 10% of claims that need to go to the Fishermen's Fund Council for resolution. To shorten the time it takes to approve these claims we are developing a secure website to provide electronic meetings allowing the Council to review the necessary documents and make determinations on the claims.

**Target #2:** 10% of injured workers' eligible for reemployment benefits complete a viable retraining plan.

**Measure #2:** Percent of injured workers, who are eligible for reemployment benefits, who complete a retraining plan.

**Percent of Eligible Workers Completing a Retraining Plan**

Fiscal Year	# Eligible	# Completing Plan	% Completing
FY 2000	393	23	5.9%
FY 2001	430	15	3.5%
FY 2002	457	25	5.5%
FY 2003	414	16	3.9%
FY 2004	420	18	4.3%
FY 2005	343	37	10.8%

**Analysis of results and challenges:** The reemployment benefits section of the Workers' Compensation Act provides the opportunity for injured workers, who can't return to work due to their injuries, to volunteer for

retraining benefits. The measurement for the reemployment benefits program is the percent of injured workers who complete a retraining plan compared to the number of injured workers who are found eligible for retraining benefits.

### C1: Strategy - Reduce length of time it takes to get Fishermen's Fund Council's approval of claims.

**Target #1:** Reduce number of days it takes to get Council's approval of claims by 25%.

**Measure #1:** Number of days to get Council's approval of claims.

#### Average Number of Days to get Fishermen's Fund Council's Approval

Year	YTD Total
2005	120

*New measure*

**Analysis of results and challenges:** Although the Fishermen's Fund new claims processing system has enabled us to process some claims faster, we are still concerned about the 10% of claims that need to be approved by the Fishermen's Fund Council before they can be paid. Since the Council currently meets only twice a year lengthy delays can ensue. To speed up this process we are working to develop a secure website that will allow the Council to meet over the web, review the files and make determinations on a more frequent basis. We hope to gather the Council for two additional meetings per year.

### C2: Strategy - Reduce the number of training plans that need to be returned to the rehabilitation specialists for revisions.

**Target #1:** Reduce the number of retraining plans that are returned to the rehabilitation specialists by 20%.

**Measure #1:** Percent of retraining plans returned to the rehabilitation specialists.

#### Percent of Retraining Plans Returned to Specialists

Fiscal Year	# Plans Submitted	# of Plans Returned	Percent Returned
FY 2005	105	47	45%

*2005 establishes the baseline.*

**Analysis of results and challenges:** Many retraining plans need to be returned to the rehabilitation specialists because the plans do not meet the requirements of the law. The Rehabilitation Benefits Administrator plans to develop and email two electronic newsletters to the rehabilitation specialists per year. The newsletter will assist the specialists in learning the requirements of the Workers' Compensation law and outline successful plans. By communicating with the rehabilitation specialists and providing information to them about successful plans and how they can improve their initial work we hope to increase the number of plans that are approved on the first submission. The faster an injured worker begins a retraining plan, the better chance they have of successfully completing the plan.

### C3: Strategy - Quarterly review of status of cases pending with rehabilitation specialists.

**Target #1:** Review of all pending retraining plans will be performed quarterly.

**Measure #1:** Number of retraining plans reviewed each quarter.

**Analysis of results and challenges:** This is a new measure. We believe we can improve the number of retraining plans completed by more closely monitoring the status of each plan. SB 130 provided an additional employee for the rehabilitation program. This employee will enable us to track each program and ensure the plan is implemented as quickly as possible.

### Key RDU Challenges

Reduce uninsured injuries by developing an electronic match of the workers' compensation files and UI tax files to aid in the identification and investigation of suspected uninsured employers.

Continue to research and assist in efforts to address rapidly increasing workers' compensation liability insurance premium costs without adversely affecting benefits provided to injured workers.

Develop procedures for making payments from the Benefits Guaranty Fund enacted through SB 130. Research whether maintaining the Second Injury Fund in its present form continues to meet the requirements of Alaskan employees and employers.

Research possibilities of gaining further efficiencies in the Fishermen's Fund database through electronic claim filing computer programs. Create a secure website to allow the sharing of confidential information by the Council members to enable teleconferenced meetings.

Fishermen continue to require efforts to spread awareness of this program, its requirements, and the available benefits for which they may be eligible. In addition, medical and health care providers continue to require additional efforts to inform them of required submission and completion of claims. To address these issues the unit is investigating web-based training and communication programs for fishermen and/or health care providers.

## **Significant Changes in Results to be Delivered in FY2007**

The division will begin a trial implementation of electronic imaging for all documents, allowing for faster retrieval and a cost savings.

Workers' Compensation will continue to emphasize efforts to reduce the number of uninsured employers and uninsured work place injuries.

SB 130 made numerous changes to the Alaska Workers' Compensation Act. It added an additional position to ensure more employees are aware of their rights to vocational rehabilitation benefits. And it also provided for more fraud investigators that the division will use to bring more employers into compliance with the Workers' Compensation Act.

## **Major RDU Accomplishments in 2005**

The workers' compensation division assisted in the passage of the Governor's revamping of the Workers' Compensation Act. This legislation created the Workers' Compensation Appeals Commission, provided an additional employee to provide rehabilitation services to injured workers and established a unit to monitor fraud within the Workers' Compensation system. The legislation also created the Benefits Guaranty Fund; this fund will be used to pay benefits to workers' whose employer was uninsured at the time of the injury. Funds will come from penalties assessed against employers who do not comply with the Alaska Workers' Compensation Act.

The Fishermen's Fund further refined its new information handling system to increase efficiencies and facilitate prompt payment of benefits.

The Second Injury Fund component continues to assist in the development of the electronic data interface (EDI). This development is in several stages and the long range results will provide internal and external efficiencies.

### **Contact Information**

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

All dollars shown in thousands

	FY2005 Actuals			FY2006 Management Plan			FY2007 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
<b>Formula Expenditures</b>												
None.												
<b>Non-Formula Expenditures</b>												
Workers' Compensation	0.0	0.0	3,120.1	3,120.1	3.3	0.0	4,404.9	4,408.2	3.3	0.0	4,603.8	4,607.1
Workers Comp Appeals Comm	0.0	0.0	0.0	0.0	0.0	0.0	565.6	565.6	0.0	0.0	523.4	523.4
WC Benefits Guaranty Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	500.0	500.0
Second Injury Fund	0.0	0.0	3,886.2	3,886.2	0.2	0.0	4,033.9	4,034.1	0.2	0.0	3,961.2	3,961.4
Fishermens Fund	0.0	0.0	907.4	907.4	0.0	0.0	1,341.4	1,341.4	0.0	0.0	1,283.5	1,283.5
<b>Totals</b>	<b>0.0</b>	<b>0.0</b>	<b>7,913.7</b>	<b>7,913.7</b>	<b>3.5</b>	<b>0.0</b>	<b>10,345.8</b>	<b>10,349.3</b>	<b>3.5</b>	<b>0.0</b>	<b>10,871.9</b>	<b>10,875.4</b>

**Workers' Compensation**  
**Summary of RDU Budget Changes by Component**  
**From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2006 Management Plan</b>	<b>3.5</b>	<b>0.0</b>	<b>10,345.8</b>	<b>10,349.3</b>
<b>Adjustments which will continue current level of service:</b>				
-Workers' Compensation	0.0	0.0	176.6	176.6
-Workers Comp Appeals Comm	0.0	0.0	11.2	11.2
-Second Injury Fund	0.0	0.0	9.4	9.4
-Fishermens Fund	0.0	0.0	10.9	10.9
<b>Proposed budget decreases:</b>				
-Workers' Compensation	0.0	0.0	-158.5	-158.5
-Workers Comp Appeals Comm	0.0	0.0	-100.0	-100.0
-Second Injury Fund	0.0	0.0	-82.6	-82.6
-Fishermens Fund	0.0	0.0	-69.4	-69.4
<b>Proposed budget increases:</b>				
-Workers' Compensation	0.0	0.0	180.8	180.8
-Workers Comp Appeals Comm	0.0	0.0	46.6	46.6
-WC Benefits Guaranty Fund	0.0	0.0	500.0	500.0
-Second Injury Fund	0.0	0.0	0.5	0.5
-Fishermens Fund	0.0	0.0	0.6	0.6
<b>FY2007 Governor</b>	<b>3.5</b>	<b>0.0</b>	<b>10,871.9</b>	<b>10,875.4</b>