

State of Alaska FY2010 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 mission of Workers' Compensation is to ensure 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.

Core Services

- Assure availability of workers' compensation benefits through compliance investigation of insured employers and financial responsibility assessment of self-insured employers.
- Provide public information, informal and formal dispute resolution services, and first-level appellate review of disputed benefits claims.
- Administer three Funds that assist injured employees of illegally uninsured employers, injured commercial fishers, and permanently disabled workers.

End Result	Strategies to Achieve End Result
<p>A: All employers comply with AS 23.30, the Alaska Workers' Compensation Act</p> <p><u>Target #1:</u> Zero uninsured employers. <u>Status #1:</u> There were 169 uninsured employers found in FY 08 exceeding the target of zero uninsured employers.</p> <p><u>Target #2:</u> Zero uninsured employee injuries. <u>Status #2:</u> There were 60 Uninsured Injuries in FY 08; exceeding the target of zero uninsured injuries.</p>	<p>A1: Quarterly review of cancelled Workers' Compensation policies.</p> <p><u>Target #1:</u> Investigate 100% of Workers' Compensation policy cancellation notices. <u>Status #1:</u> There were 4,643 cancelled policies received and 100% were reviewed.</p> <p><u>Target #2:</u> Investigate employers suspected of illegally operating without workers' compensation insurance coverage. <u>Status #2:</u> There was a marked increase of 153 employers that were brought into compliance with the Workers' Compensation Act in FY 08 compared to 126 for FY 07.</p>
End Result	Strategies to Achieve End Result
<p>B: Improved delivery of efficient, low cost and legal informal and formal dispute resolution</p> <p><u>Target #1:</u> Parties will have hearing scheduled within 90 days of notice of readiness. <u>Status #1:</u> The average wait time for a hearing was 124 days. The target of 90 days was not met due to a 50% staff shortage in Workers' Compensation Hearing Officers which has now been corrected. As of September 2008, we will be 100% staffed in Hearing Officers and anticipate exceeding the goal of 90 days.</p> <p><u>Target #2:</u> 100% of all written decisions will be issued within 30 days of record closure. <u>Status #2:</u> 88.7% of written decisions were issued within 30 days. This missed the target by 11.3% for FY</p>	<p>B1: Shorten the time lag for workers' compensation hearings.</p> <p><u>Target #1:</u> Settle disputed issues whenever possible during prehearing conferences. <u>Status #1:</u> 52% of disputed issues brought were resolved in prehearing conferences.</p> <p>B2: Operate a timely and efficient appeals program</p> <p><u>Target #1:</u> Issue 100% of decisions within 90 days of hearing <u>Status #1:</u> Of 20 decisions total, there was 1 decision exactly 1 day late in 2008.</p>

<p>08.</p> <p><u>Target #3:</u> Reduce the total number of open cases at the Appeals Commission</p> <p><u>Status #3:</u> There are currently 32 open cases at the end of FY08, a decrease from FY07.</p>	
End Result	Strategies to Achieve End Result
<p>C: More Alaskans Available for Jobs:</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>Status #1:</u> Fishermen's Fund reimbursement payment time averaged 42 days exceeding the target of 20 days due to staff shortages. The staff shortage is being managed and an improvement in payment time is anticipated.</p> <p><u>Target #2:</u> 20% of injured workers' eligible for reemployment benefits complete a viable retraining plan.</p> <p><u>Status #2:</u> The target of 20% of injured workers' eligible for reemployment benefits completing a viable retraining plan was met at 20.2%. Performance would have been even higher but retirement of the program administrator caused a vacancy which has now been filled.</p>	<p>C1: Reduce length of time it takes to get Fishermen's Fund Council's approval of claims.</p> <p><u>Target #1:</u> Reduce number of days it takes to get Council's approval of claims by 25%.</p> <p><u>Status #1:</u> The number of days to Council approval for FY 08 was 97 days, down 15% from FY 07 (115 days).</p> <p>C2: Reduce the number of training plans that need to be returned to the rehabilitation specialists for revisions.</p> <p><u>Target #1:</u> Reduce the percentage of retraining plans that are returned to the rehabilitation specialists by 20%.</p> <p><u>Status #1:</u> This target was met in relation to the prior year and to the baseline year of FY 05.</p> <p>C3: Quarterly review of status of cases pending with rehabilitation specialists.</p> <p><u>Target #1:</u> Review of all pending retraining plans will be performed quarterly.</p> <p><u>Status #1:</u> This target was not reviewed during FY 2008 due to employee shortages. We will work towards implementation of this target during FY 09.</p>

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

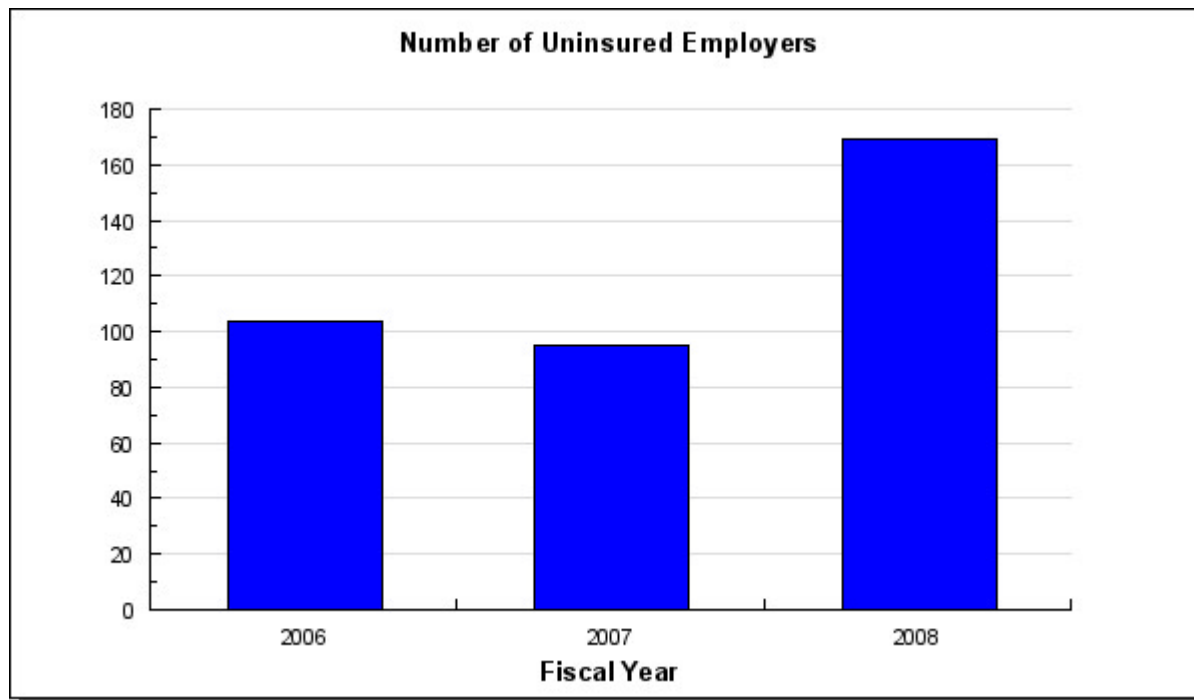
FY2010 Resources Allocated to Achieve Results							
<p>FY2010 Results Delivery Unit Budget: \$11,391,400</p>	<p>Personnel:</p> <table border="0"> <tr> <td>Full time</td> <td style="text-align: right;">54</td> </tr> <tr> <td>Part time</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">56</td> </tr> </table>	Full time	54	Part time	2	Total	56
Full time	54						
Part time	2						
Total	56						

Performance

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

Target #1: Zero uninsured employers.

Status #1: There were 169 uninsured employers found in FY 08 exceeding the target of zero uninsured employers.



Methodology: The Fraud Unit was established in November of 2005 making FY06 the base year for measurement.

Number of Uninsured Employers

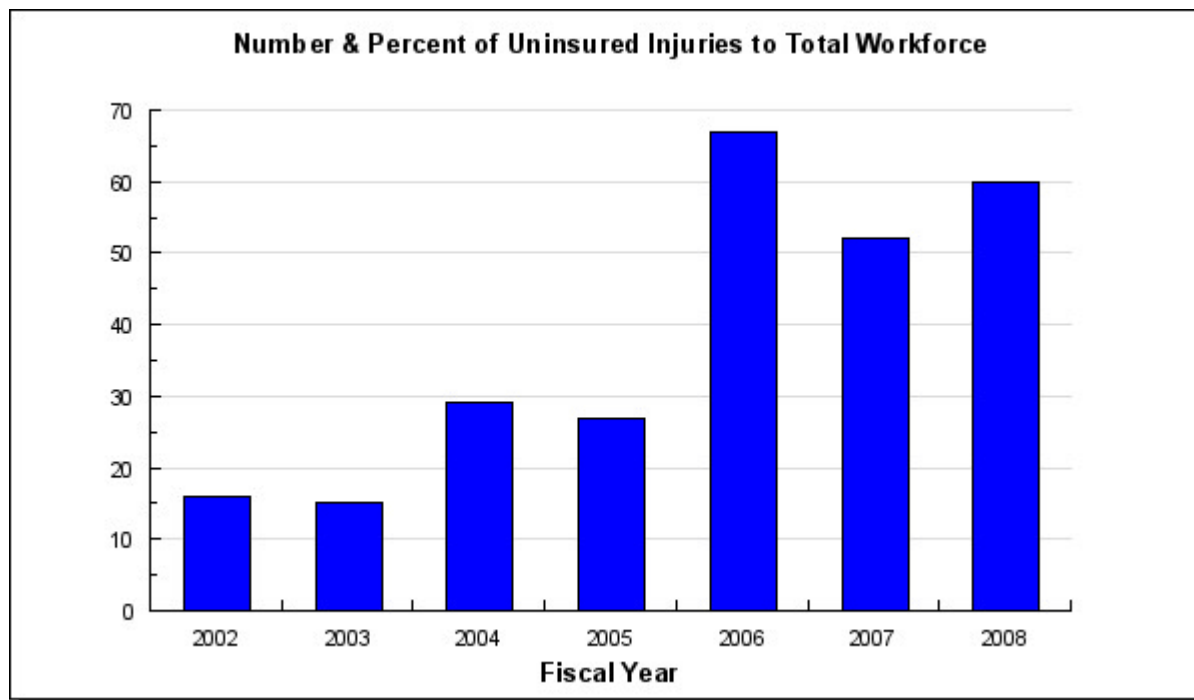
Fiscal Year	YTD Total	Percent of Change
FY 2008	169	77.89%
FY 2007	95	-8.65%
FY 2006	104	Base Year

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. With the institution of a full fraud investigation section at the end of FY 06, the division is no longer limited to a single investigator to review notices of cancelled or expired Workers' Compensation insurance policies to verify if they have been replaced or renewed.

In FY 07 the Fraud Investigation section was able to expand their search for uninsured employers using on-site visits, information from informants, searching newspapers, etc. (in addition to reviewing the database of cancelled workers' compensation insurance policies). SB 130 amended the law (effective 11/05) to allow the Workers' Compensation Board to access penalties against employers for failure to insure. The fraud investigation section compiled files on employers and Board hearings were held on 169 of those cases resulting in penalties assessed against 153 employers for failure to insure their workers.

Target #2: Zero uninsured employee injuries.

Status #2: There were 60 Uninsured Injuries in FY 08; exceeding the target of zero uninsured injuries.



Methodology: Number of injuries is based on claims made to the Workers Compensation Board.

Number & Percent of Uninsured Injuries to Total Workforce

Fiscal Year	Injuries	Workforce	YTD Total
FY 2008	60	300,379	.0199%
FY 2007	52	301,900	.0172%
FY 2006	67	294,744	.0227%
FY 2005	27	287,707	.0094%
FY 2004	29	282,400	.0103%
FY 2003	15	283,444	.0053%
FY 2002	16	275,476	.0058%

Analysis of results and challenges: The number of uninsured injuries increased slightly in FY 08. Our increased presence through on-site visits to reduce the number of uninsured employers will assist in reducing the number of uninsured injuries reported.

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

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

Status #1: There were 4,643 cancelled policies received and 100% were reviewed.

Number of Cancelled Policies Reviewed

Fiscal Year	YTD Total	Percent Investigated
FY 2008	4,643	100%
FY 2007	3,409	100%
FY 2006	2,400	94%
FY 2005	3,620	0%
FY 2004	3,895	0%
FY 2003	4,470	0%

Analysis of results and challenges: The division reviewed 4,643 cancelled policies in FY 08. Files are opened on all cases where an employer cannot provide proof of current coverage, unless they can verify they are no longer using employees or have gone out of business. In FY 08, 393 cases were opened. Those businesses that do not supply satisfactory evidence of coverage or of no longer needing coverage are brought before the Workers' Compensation Board. A total of 169 cases were brought before the Board in FY 08.

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

Status #2: There was a marked increase of 153 employers that were brought into compliance with the Workers' Compensation Act in FY 08 compared to 126 for FY 07.

Number of Employers Brought into Compliance with Workers' Compensation Act

Fiscal Year	YTD Total
FY 2008	153
FY 2007	126
FY 2006	146
FY 2005	141
FY 2004	158
FY 2003	189
FY 2002	129

Analysis of results and challenges: The fraud investigation section conducts investigations, brings actions against uninsured employers before the Workers' Compensation Board, and presents evidence and testimony which can lead to stop orders, fines, and criminal prosecution through the Department of Law.

Current staff levels have allowed us to expand the methods of locating businesses that do not provide workers' compensation insurance for their employees. Approximately 500 business were reviewed using information from informants, the fraud hot-line, on-site visits, monitoring of new business license applications, and through newspaper employment ads.

B: Result - Improved delivery of efficient, low cost and legal informal and formal dispute resolution

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

Status #1: The average wait time for a hearing was 124 days. The target of 90 days was not met due to a 50% staff shortage in Workers' Compensation Hearing Officers which has now been corrected. As of September 2008, we will be 100% staffed in Hearing Officers and anticipate exceeding the goal of 90 days.

Number of Days Between Request for Hearing & Hearing Date

Fiscal Year	YTD Total
FY 2008	124
FY 2007	89
FY 2006	100
FY 2005	117
FY 2004	90
FY 2003	90
FY 2002	175

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 usually reasonable.

We were unable to meet this target due to staff shortages despite on-going recruitment efforts.

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

Status #2: 88.7% of written decisions were issued within 30 days. This missed the target by 11.3% for FY 08.

Percent of Written Decisions Issued in 30 Days

Fiscal Year	YTD Total
FY 2008	88.7%
FY 2007	94.4%
FY 2006	98.8%
FY 2005	92.2%

Analysis of results and challenges: FY05 established the baseline for this target. The Workers' Compensation Board hears claims regarding disputes of entitlement to benefits under the Workers' Compensation Act. After the hearing the division has 30 days to complete its work and write a formal decision and order based on the Board's determination. Those determinations will either allow or disallow an injured worker various benefits under the Workers' Compensation Act. In FY 08 we saw a decrease in the number of decisions written within the 30 days as we experienced an increase in the number of hearings held which impacted our ability to issue decisions.

Target #3: Reduce the total number of open cases at the Appeals Commission

Status #3: There are currently 32 open cases at the end of FY08, a decrease from FY07.

Appeals Commission

Fiscal Year	# received	# decisions	# open
FY 2008	40	35	41
FY 2007	49	26	36
FY 2006	26	13	13

Methodology: The Commission was sworn in on 11/23/05. Data for FY 06 is for a partial year.

Analysis of results and challenges: The average clearance time (from filing an appeal to final order of the Commission) for all cases filed in FY 2006 was 296 days. The Commission believes they will be able to 'close' approximately 96% of their cases within 12 months of filing an appeal. At the end of FY 2008, only 13 of 49 appeals filed in FY 2007 remain open.

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

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

Status #1: 52% of disputed issues brought were resolved in prehearing conferences.

Number of Disputed Issues Settled & Resolved

Fiscal Year	# Prehearings	# Settled	% Settled
FY 2008	2,503	941	52%
FY 2007	2,320	1,056	46%
FY 2006	2,213	1,049	47%
FY 2005	2,830	1,165	41%
FY 2004	2,695	811	30%
FY 2003	2,600	818	31%
FY 2002	2,785	630	23%
FY 2001	2,582	636	25%

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 to assist parties to reach agreement on issues prior to the need for a formal hearing allowing for speedier resolutions of issues. The number of issues settled without the need of a formal hearing increased in FY08.

B2: Strategy - Operate a timely and efficient appeals program

Target #1: Issue 100% of decisions within 90 days of hearing

Status #1: Of 20 decisions total, there was 1 decision exactly 1 day late in 2008.

Number of Decisions Written by the Commission

Year	# of Decisions Written	Ave # days
2008	20	73
2007	42	65
2006	13	25

Methodology: CY 2008 Avg # days is not adjusted for cases with record closure after oral argument or decisions on reconsideration. Also, beginning in FY 2007, the commission counted only published decisions. In FY 2007, 117 orders were issued in addition to decisions, in FY 2008, 72 orders have been issued.

Analysis of results and challenges: In addition to continuing a high level of compliance with the statute, the Commission has been able to close most cases filed with the Commission within 12 months of receiving the case.

C: Result - More Alaskans Available for Jobs:

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

Status #1: Fishermen's Fund reimbursement payment time averaged 42 days exceeding the target of 20 days due to staff shortages. The staff shortage is being managed and an improvement in payment time is anticipated.

Number of Days to Pay Claim

Fiscal Year	# of days	# of claims paid
FY 2008	42	705
FY 2007	20	686
FY 2006	17	781
FY 2005	35	807
FY 2004	33	814
FY 2003	36	696
FY 2002	42	810

Analysis of results and challenges: There were 2,053 bills paid on 705 Fishermen's Fund claims in FY 08, with an average time lag of 42 days between date of bill receipt and date of payment. This is substantially higher than the stated goal of 20 days. The primary reason for this increase in the time lag is due to the fact that staffing was down 50%, or 1 full-time employee, between February 2008 and June 2008.

Target #2: 20% of injured workers' eligible for reemployment benefits complete a viable retraining plan.

Status #2: The target of 20% of injured workers' eligible for reemployment benefits completing a viable retraining plan was met at 20.2%. Performance would have been even higher but retirement of the program administrator caused a vacancy which has now been filled.

Percent of Eligible Workers Completing a Retraining Plan

Fiscal Year	# Eligible	# Completing Plan	% Completing
FY 2008	223	45	20.2%
FY 2007	286	61	21.3%
FY 2006	298	56	18.8%
FY 2005	343	37	10.8%
FY 2004	420	18	4.3%
FY 2003	414	16	3.9%
FY 2002	457	25	5.5%
FY 2001	430	15	3.5%

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.

The division set a target participation level of 20% and met that goal again in FY 08. It appears that the statistics may reflect fewer injured workers found eligible in relation to the larger volume of eligible injured workers from previous years cycling through the system.

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%.

Status #1: The number of days to Council approval for FY 08 was 97 days, down 15% from FY 07 (115 days).

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

Year	YTD Total	%
2008	97	41%
2007	115	49%
2006	98	42%
2005	165	70%
2004	235	Base Year

Analysis of results and challenges: In FY08, there were 767 claims filed with the Fishermen's Fund. Of these claims, 113 claims or 14.7% were sent to the Fishermen's Fund Advisory & Appeals Council. The average lag time between a request for Council consideration and Council decision was 97 days. This is down 15% from 115 days in FY07. The Council meets twice a year, once in the Spring and once in the Fall. Attempts to increase the number of Council meetings have been met with disapproval. Council members live in Bethel, Manokotak, Seward, Skagway, Juneau, and Ketchikan. Most have full time employment, and all are commercial fishermen themselves. The Division will continue investigating its ability to conduct meetings electronically on an ad hoc basis.

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

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

Status #1: This target was met in relation to the prior year and to the baseline year of FY 05.

Percent of Retraining Plans Returned to Specialists

Fiscal Year	# Plans Submitted	# of Plans Returned	Percent Returned
FY 2008	140	31	22%
FY 2007	72	41	57%
FY 2006	76	44	57%
FY 2005	105	47	45%

Methodology: 2005 established 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. For high wage earners with a high remunerative wage it can be impossible to meet the requirements of the law that the plan meet the remunerative wage. Even if there is theoretically a means (occupational goal) to meet the wage, statutory time (two years) and more so cost (\$13,300) limitations can be the barrier. Of course, the mental and physical capacities of the injured worker can also provide barriers to developing a plan that meets the requirements of the law. The new Reemployment Benefits Administrator (RBA) agrees that an electronic newsletter may be helpful, but a revised guide to the development of reemployment benefits plans is the optimal first step. The RBA is currently working on the guide for eligibility evaluations and will then focus on the plan development guide.

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

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

Status #1: This target was not reviewed during FY 2008 due to employee shortages. We will work towards implementation of this target during FY 09.

Analysis of results and challenges: The Reemployment Benefits Section incurred significant employee changeover in FY 08. The staff focused on basics of evaluating claims for referral, making referrals, and reviewing the evaluations and plans submitted in addition to handling community inquiries and addressing Section 158 and .045(c) requests. As the section gets reestablished, this practice will be implemented as part of quality assurance for the program. We believe this strategy will aid in the completion of retraining plans, thereby getting injured workers back to work. We will work towards implementation of this target during FY 09.

Key RDU Challenges

The FY10 budget includes a requested increase of \$30.0 from the Workers Compensation Benefit Guarantee Fund to support a contract for legal services. Once a claim is approved, the Division has a statutory requirement to have those funds reimbursed back to the Fund from the employer who was uninsured at the time the employee injury occurred. We currently do not have a mechanism in place to seek the reimbursement of those paid out funds. The Fund, with the assistance of the Department of Law, needs to develop procedures for recovering benefits paid and claim costs incurred on behalf of the non-compliant employer.

The current Workers' Compensation data processing system is outdated and reaching the end of its lifecycle and maintenance support from Microsoft. A complete rewrite and upgrade of the system is needed to ensure data

integrity is maintained. The Division has requested a Capital Project of \$3,092.2 funded from the Workers Safety Account to cover the costs of the system upgrade and to provide funding for Phase III of the Insurance Claims Expense Reporting System (ICERS) project.

Significant Changes in Results to be Delivered in FY2010

No changes in results are anticipated.

Major RDU Accomplishments in 2008

In FY 08, the Fraud Investigations section opened 398 cases. The cases represented a total of 79,611 uninsured employee days. 124 of those cases were brought before the Workers' Compensation Board for assessment of penalties.

The second phase of our Electronic Data Interface (EDI) project was completed. We are ready to begin testing the online submission of Injury and Illness Reports.

The Appeals Commission completed the process of establishing a regular volunteer summer law internship in cooperation with the Alaska Labor Relations Agency and increased the number of summer law interns to 2. The commission also began the process of obtaining a university law school sponsor for its semester externship program during FY 08. The externship will begin in January of FY 09.

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

All dollars shown in thousands

	FY2008 Actuals				FY2009 Management Plan				FY2010 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
Formula Expenditures None.												
Non-Formula Expenditures												
Workers' Compensation	3.3	0.0	4,244.3	4,247.6	3.3	0.0	4,866.6	4,869.9	3.3	0.0	4,960.7	4,964.0
Workers Comp Appeals Comm	0.0	0.0	444.0	444.0	0.0	0.0	544.0	544.0	0.0	0.0	550.9	550.9
WC Benefits Guaranty Fund	0.0	0.0	43.6	43.6	0.0	0.0	250.0	250.0	0.0	0.0	280.0	280.0
Second Injury Fund	0.2	0.0	3,127.5	3,127.7	0.2	0.0	3,973.4	3,973.6	0.2	0.0	3,977.8	3,978.0
Fishermens Fund	0.0	0.0	1,087.7	1,087.7	0.0	0.0	1,627.4	1,627.4	0.0	0.0	1,618.5	1,618.5
Totals	3.5	0.0	8,947.1	8,950.6	3.5	0.0	11,261.4	11,264.9	3.5	0.0	11,387.9	11,391.4

**Workers' Compensation
Summary of RDU Budget Changes by Component
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	3.5	0.0	11,261.4	11,264.9
Adjustments which will continue current level of service:				
-Workers' Compensation	0.0	0.0	94.1	94.1
-Workers Comp Appeals Comm	0.0	0.0	6.9	6.9
-Second Injury Fund	0.0	0.0	4.4	4.4
-Fishermens Fund	0.0	0.0	5.1	5.1
Proposed budget decreases:				
-Fishermens Fund	0.0	0.0	-14.0	-14.0
Proposed budget increases:				
-WC Benefits Guaranty Fund	0.0	0.0	30.0	30.0
FY2010 Governor	3.5	0.0	11,387.9	11,391.4