

State of Alaska FY2011 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.

Results at a Glance

(Additional performance information is available on the web at <http://omb.alaska.gov/results>.)

END RESULT A: All employers comply with AS 23.30, the Alaska Workers' Compensation Act

- There were 91 uninsured employers found in FY2009 exceeding the target of zero uninsured employers.
- There were 77 uninsured Injuries in FY2009; exceeding the target of zero uninsured injuries.

Status of Strategies to Achieve End Result

- There were 4,572 cancelled workers' compensation policies received and 100% were reviewed.
- There was a marked increase of 326 employers that were brought into compliance with the Workers' Compensation Act in FY 09 compared to 153 for FY 08.

END RESULT B: Improved delivery of efficient, low cost and legal informal and formal dispute resolution

- The average wait time for a hearing was 158 days. The target of 90 days was not met due to a large influx of cases to the Division of Workers' Compensation.
- 82% of written decisions were issued within 30 days. This missed the target by 18% for FY2009. However the average days to issuance of decisions and orders was 19, well within 30 days of record closure.
- At the end of FY2009, 28 open cases were still on the docket, a decrease of 13 from FY2008.

Status of Strategies to Achieve End Result

- 73% of disputed issues were resolved in prehearing conferences.
- Of 29 decisions total in FY2009, there were 3 decisions not within the 90 days target, 2 were 1 day late, and 1 was 3 days late.

END RESULT C: More Alaskans Available for Jobs:

- In FY09, the number of claims filed with the Fishermen's Fund totaled 698. For the year, there were 627 payments issued. The average time from receipt of a bill to bill payment was 28 days. This is approximately 1 week above the desired goal of 20 days, but a significant improvement from 42 days in FY08. The reason for the improvement was more consistent staffing.
- The target of 20% of injured workers' eligible for reemployment benefits completing a viable retraining plan was not met at 12.8%. Performance would have been higher but turnover of staff caused a vacancy which has now been filled.

Status of Strategies to Achieve End Result

- In FY2009, there were 698 claims filed against the Fishermen's Fund. Of these claims, 115 cases were sent the Fishermen's Fund Advisory & Appeals Council. The average lag time was 54 days, compared to 97 days in FY2008. The improvement is due to improved follow-up on existing claims, reducing the number of non-response files requiring Council review.
- The target to reduce the percentage of retraining plans returned by 20% was met in relation to the prior year and to the baseline year of FY2005.
- The target to review all pending retraining plans quarterly was not met during FY2009 due to regulatory revisions that were needed. A tracking project was initiated in FY2009 to streamline records tracking. This project should

be completed in late FY2010 and this target will be implemented.

Major Activities to Advance Strategies

- 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.

Key RDU Challenges

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 requested and was granted in FY2010 a Capital Project of \$3,092.2 funded from the Workers Safety Account to cover the costs of the system upgrade.

In response to an Alaska Supreme Court Decision (Bohlmann v. Alaska Construction & Engineering, Inc), the division went through a restructuring of how workers' compensation claims are handled. This resulted in increased staff costs. In addition the division was required to upgrade two Investigator positions as a result of a review of their job duties. These two actions created a shortfall which has necessitated an increase in personal services funding of \$85.5. The increase is supported by funds from the Worker Safety Account.

Significant Changes in Results to be Delivered in FY2011

No changes in results are anticipated.

Major RDU Accomplishments in 2009

In FY2009, the Fraud Investigations section opened 119 cases. The cases represented a total of 46,226 uninsured employee days. 91 of those cases were brought before the Workers' Compensation Board for assessment of penalties.

In response to the Alaska Supreme Court Decision, Bohlmann v. Alaska Construction & Engineering, Inc, the Division went through a restructuring of how workers' compensation claims are handled. This restructuring took prehearing functions from non-attorney employees, and placed the responsibility on Workers Compensation Hearing Officers. Two other positions, one Workers' Compensation Officer and one Administrative Supervisor, were reclassified to Workers' Compensation Hearing Officers to accommodate this change. We are still measuring the impact this change has had on the claims process.

The Alaska Workers' Compensation Appeals Commission's volunteer summer law internship in cooperation with the Alaska Labor Relations Agency attracted two (2) more summer law interns, who received six (6) weeks of intensive training. The tri-agency externship (Appeals Commission, Labor Relations Agency & Office of Administrative Hearings) obtained accreditation as a "judicial/labor law externship" through Seattle University School of Law.

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

All dollars shown in thousands

	FY2009 Actuals				FY2010 Management Plan				FY2011 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	0.0	0.0	4,643.5	4,643.5	3.3	0.0	5,070.9	5,074.2	3.3	0.0	5,161.9	5,165.2
Workers Comp Appeals Comm	0.0	0.0	488.9	488.9	0.0	0.0	551.0	551.0	0.0	0.0	553.1	553.1
WC Benefits Guaranty Fund	0.0	0.0	48.6	48.6	0.0	0.0	280.0	280.0	0.0	0.0	280.0	280.0
Second Injury Fund	0.0	0.0	3,852.5	3,852.5	0.2	0.0	3,977.9	3,978.1	0.2	0.0	3,978.2	3,978.4
Fishermens Fund	0.0	0.0	1,225.9	1,225.9	0.0	0.0	1,618.6	1,618.6	0.0	0.0	1,618.9	1,618.9
Totals	0.0	0.0	10,259.4	10,259.4	3.5	0.0	11,498.4	11,501.9	3.5	0.0	11,592.1	11,595.6

**Workers' Compensation
Summary of RDU Budget Changes by Component
From FY2010 Management Plan to FY2011 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2010 Management Plan	3.5	0.0	11,498.4	11,501.9
Adjustments which will continue current level of service:				
-Workers' Compensation	0.0	0.0	5.5	5.5
-Workers Comp Appeals Comm	0.0	0.0	2.1	2.1
-Second Injury Fund	0.0	0.0	0.3	0.3
-Fishermens Fund	0.0	0.0	0.3	0.3
Proposed budget increases:				
-Workers' Compensation	0.0	0.0	85.5	85.5
FY2011 Governor	3.5	0.0	11,592.1	11,595.6