

State of Alaska
FY2013 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, and informal and formal dispute resolution services.
- Administer three funds that assist injured employees of illegally uninsured employers, injured commercial fishers, and permanently disabled workers.
- Provide first-level appellate review of disputed benefits claims.

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

Target #1: Zero uninsured employers.

Status #1: There were 58 uninsured employers found in FY2011. This exceeded both the target of zero uninsured employers for FY2011 and the 46 uninsured employers found in FY2010 but this was less than half of the average of 115 uninsured employers found in the previous four years.

Target #2: Zero uninsured employee injuries.

Status #2: There were nine uninsured injuries in FY2011. This exceeded the target of zero uninsured injuries but was a significant reduction from the 17 uninsured injuries in FY2010.

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

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

Status #1: 100 percent of the 3,008 Workers' Compensation policy cancellation notices received in FY2011 were investigated. The division has successfully reviewed 100 percent of the notices for the past five years.

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

Status #2: In FY2011, 319 employers were brought into compliance with the Workers' Compensation Act compared to 348 in FY2010. Investigations were down due to staff turnover in the Fairbanks fraud office.

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

Target #1: Hearings will be scheduled within an average of 90 days from receipt of an affidavit notice of readiness for hearing.

Status #1: In FY2011, the average number of days between request for a hearing and hearing date was 86, meeting the target of 90 days but longer than the average of 79 days achieved in FY2010.

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

Status #2: 78 percent of written decisions were issued within 30 days falling short of the 100 percent target for FY2011. This measure was significantly affected by one staff member's temporary partial disability. The staff member's work load has been modified to permit time to complete late decisions and, moving forward, it is expected the staff member will be able to complete decisions within 30 days of record closure.

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

Status #3: At the end of FY2011, there were 10 open cases at the Appeals Commission, a decrease of 14 from

FY2010.

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

Target #1: Settle disputed issues whenever possible during prehearing conferences and through formal mediation.

Status #1: 55 percent of disputed issues were resolved in prehearing conferences a record high since the start of measurement in FY2001 and up from 42 percent in FY2010.

Strategy B2: Operate a timely and efficient appeals program

Target #1: Issue 100 percent of final decisions within 90 days of record closure.

Status #1: In FY2011, 78 percent of written decisions were made within 90 days of record closure falling short of the 100 percent target and below the prior year performance of 86 percent, primarily due to training new staff.

End Result C: 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: In FY2011, the average time from receipt to payment of Fishermen's Fund approved claims was 24 days. This was an improvement from the prior year average of 34 days, but higher than the target of 20 days.

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

Status #2: In FY2011, 6.1 percent of injured workers eligible for reemployment benefits completed a viable retraining plan down from 14.7 percent in FY2010 and falling short of the 20 percent target.

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

Target #1: Keep the number of days it takes to get the Fishermen's Fund Advisory & Appeals Council's approval to within 30 days.

Status #1: In FY2011, the average lag time to get the Fishermen's Fund Advisory & Appeals Council's approval on claims was 30 days, compared to 54 days in FY2010 and in line with the target.

Strategy C2: 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 percent per year until no plans need to be returned.

Status #1: The percentage of retraining plans returned to rehabilitation specialists was 23 percent in FY2011 up from 17 percent in FY2010, which is not in line with the target of reducing the percentage of training plans returned by 20 percent per year. The division plans to revise the plan development guide in FY2012 to help meet this target in the future.

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

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

Status #1: The target to review all pending retraining plans quarterly was not met during FY2011 due to a significant increase in the section staff's workload related to regulation changes that became effective April 16, 2010.

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.
- Adjudicate appeals from disputed Workers' Compensation Board decisions and orders.

Key RDU Challenges

The key challenges facing the Division of Workers' Compensation include:

- Declining Workers' Safety and Compensation Administration Account (WSCAA) revenue. There is currently \$9,394.4 in WSCAA expenditure authority in the department's FY2012 budget and the projected WSCAA revenue for FY2012 is \$5,862.7, a difference of \$3,531.7. This discrepancy between revenue and expenditures is not sustainable. WSCAA revenue comes from fees assessed on Workers' Compensation insurance premiums and on Workers' Compensation self-insured program costs. This revenue has declined over the years while program costs have increased.
- Collection of civil fines and penalties issued by the division. In FY2011, the Workers' Compensation division issued \$355.6 in civil fines. In addition, the Workers' Compensation Benefits Guaranty Fund has assessed \$3,027.0 in penalties. Of these amounts, only \$1.5 million (approximately 46 percent) has been recovered. The department is unable to pay claims to injured workers' of uninsured employers beyond the amount in the fund. Improved collections are necessary to ensure a fund balance that exceeds the claims against the fund.
- Working with an outdated data processing system. The current Workers' Compensation data processing system is outdated and reaching the end of its lifecycle. The division received an FY2010 capital appropriation of \$3,092.2 funded out of the Workers' Safety Account to cover the cost of a system upgrade. Until a complete rewrite and upgrade of the system is completed, utilizing the current system will continue to be a challenge.
- Processing the backlog of paperwork. A backlog in paperwork, including reports of injury, has accumulated due to an increase in the number of claims being opened and an increase in the number of filings submitted by parties. The division has restructured work assignments to help address the backlog.

Significant Changes in Results to be Delivered in FY2013

A collections officer in the Workers' Compensation division will take steps to increase collection of Workers' Compensation Benefit Guaranty Fund fines through methods such as billing employers monthly, following-up with delinquent employers, serving notice on delinquent employers, and preparing petitions for judgment to the Superior Court. Based on industry averages this position should take the division's collection rate from 49 percent to approximately 83 percent, providing an additional \$1.3 million in collected revenue.

Major RDU Accomplishments in 2011

During FY2011, the Division of Workers' Compensation:

- Improved efficiency in workload management. The division went through a restructuring of workers' compensation in July 2011. The division consolidated supervision of administrative and adjudication functions in the Anchorage office under one supervisor.
- Working in cooperation with the Alaska Labor Relations Agency, attracted two additional summer law interns into the Alaska Workers' Compensation Appeals Commission's volunteer summer law internship. The interns received six weeks of intensive training.

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

All dollars shown in thousands

	FY2011 Actuals				FY2012 Management Plan				FY2013 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
Workers' Compensation	5,016.7	0.0	0.0	5,016.7	5,535.2	0.0	0.0	5,535.2	5,675.8	0.0	0.0	5,675.8
Workers' Comp Appeals Comm	484.2	0.0	0.0	484.2	571.9	0.0	0.0	571.9	579.6	0.0	0.0	579.6
WC Benefits Guaranty Fund	410.9	0.0	0.0	410.9	280.0	0.0	0.0	280.0	603.2	0.0	0.0	603.2
Second Injury Fund	3,282.6	0.0	0.0	3,282.6	3,994.6	0.0	0.0	3,994.6	4,003.3	0.0	0.0	4,003.3
Fishermen's Fund	1,011.1	0.0	0.0	1,011.1	1,637.0	0.0	0.0	1,637.0	1,647.3	0.0	0.0	1,647.3
Totals	10,205.5	0.0	0.0	10,205.5	12,018.7	0.0	0.0	12,018.7	12,509.2	0.0	0.0	12,509.2

**Workers' Compensation
Summary of RDU Budget Changes by Component
From FY2012 Management Plan to FY2013 Governor**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2012 Management Plan	3.3	12,015.4	0.0	0.0	12,018.7
Adjustments which will continue current level of service:					
-Workers' Compensation	0.0	140.6	0.0	0.0	140.6
-Workers' Comp Appeals Comm	0.0	7.7	0.0	0.0	7.7
-Second Injury Fund	0.0	8.7	0.0	0.0	8.7
-Fishermen's Fund	0.0	10.3	0.0	0.0	10.3
Proposed budget increases:					
-WC Benefits Guaranty Fund	0.0	323.2	0.0	0.0	323.2
FY2013 Governor	3.3	12,505.9	0.0	0.0	12,509.2