

State of Alaska
FY2020 Governor's Operating Budget

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

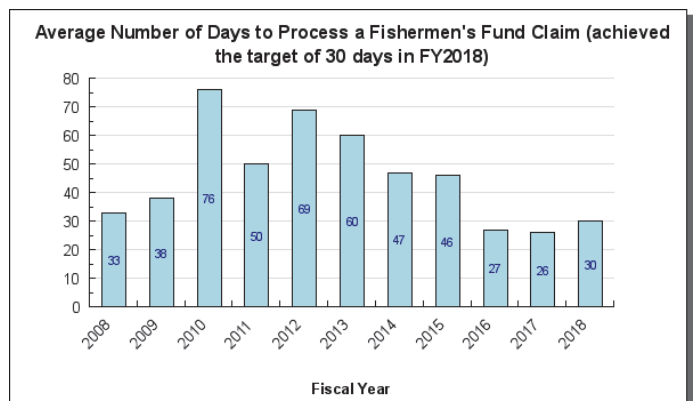
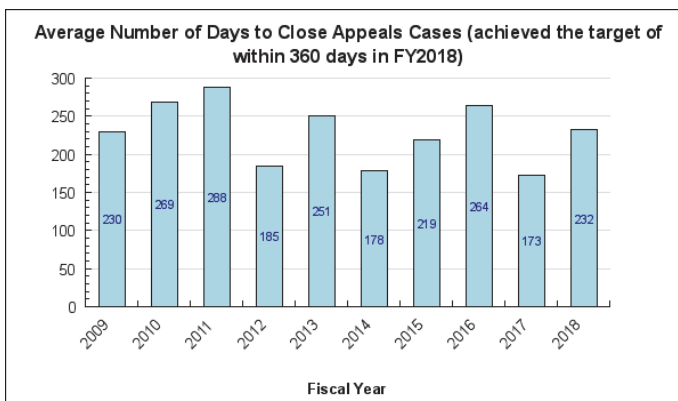
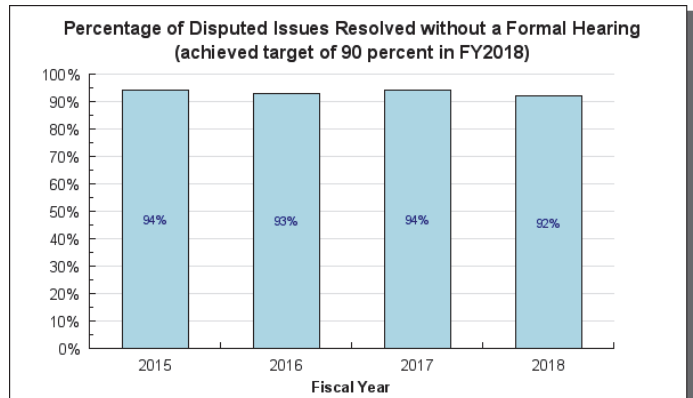
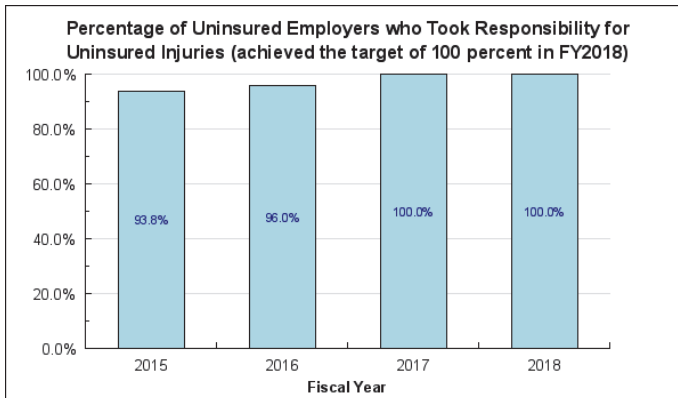
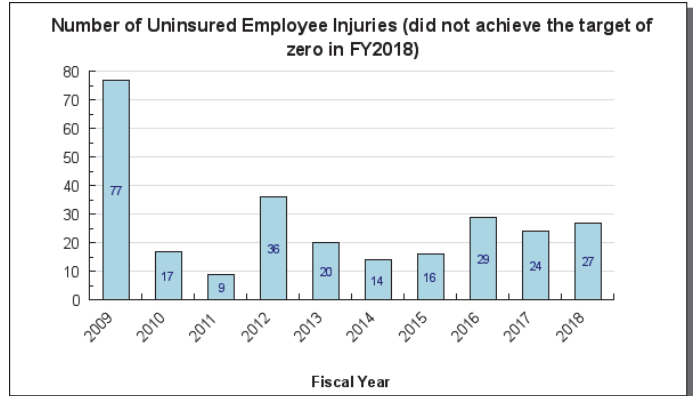
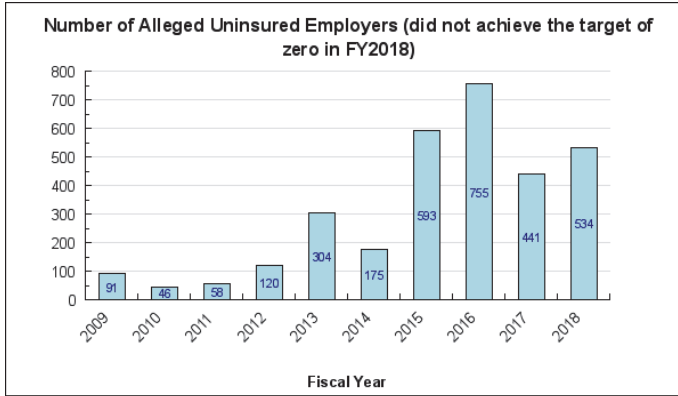
Workers' Compensation Results Delivery Unit

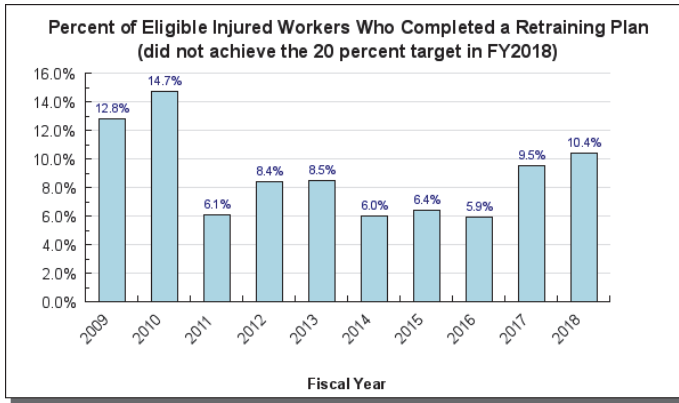
Contribution to Department's Mission

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.

Results

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





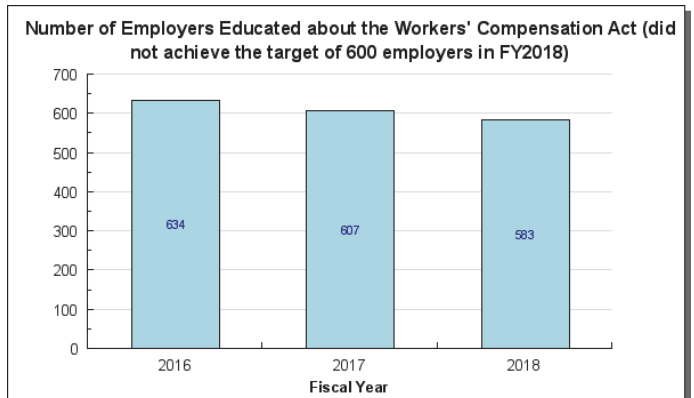
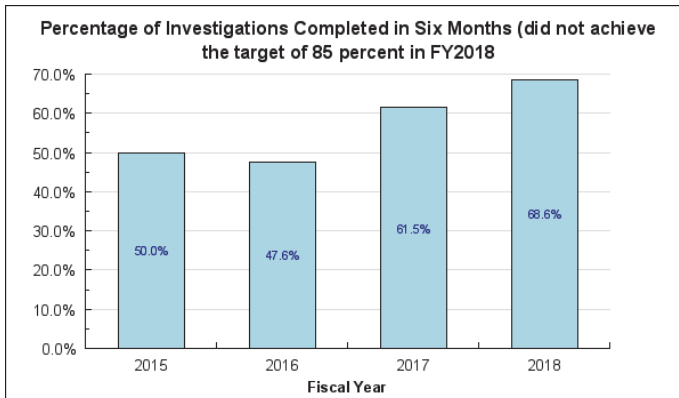
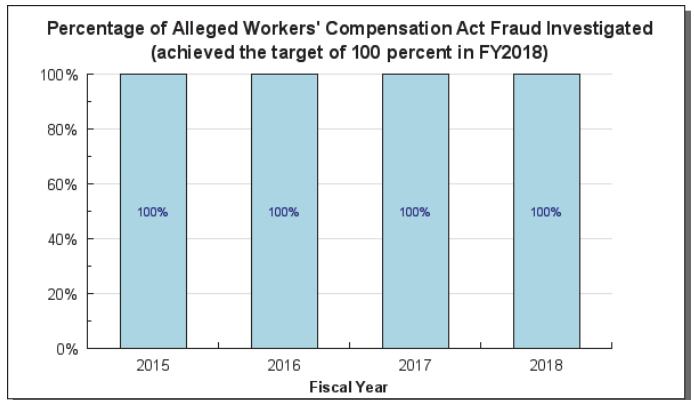
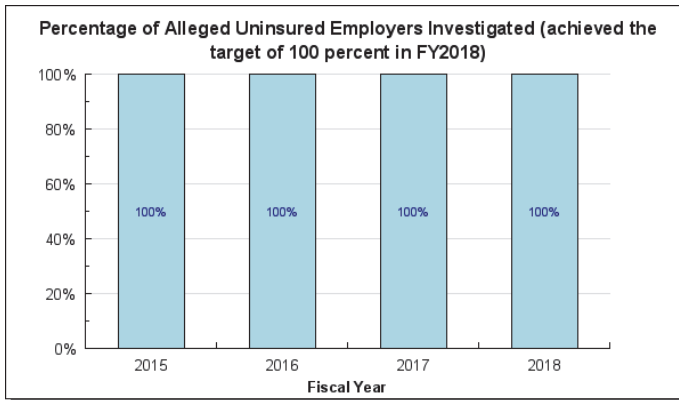
Core Services

- Ensure compliance with the Workers' Compensation Act.
- Conduct timely Workers' Compensation hearings.
- Operate a timely and efficient appeals program.
- Process Fishermen's Fund claims timely.
- Administer a vocational rehabilitation benefits and training program for injured workers.

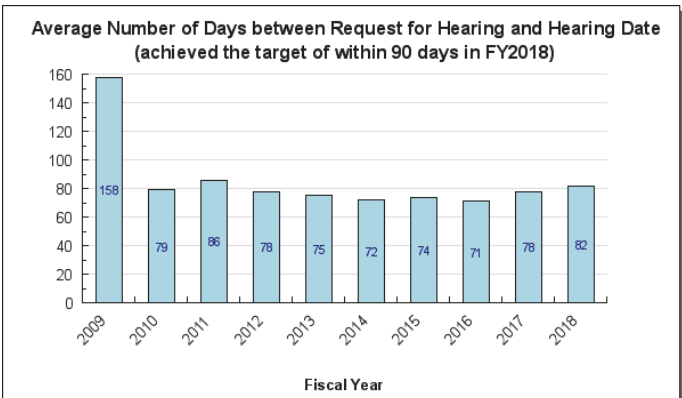
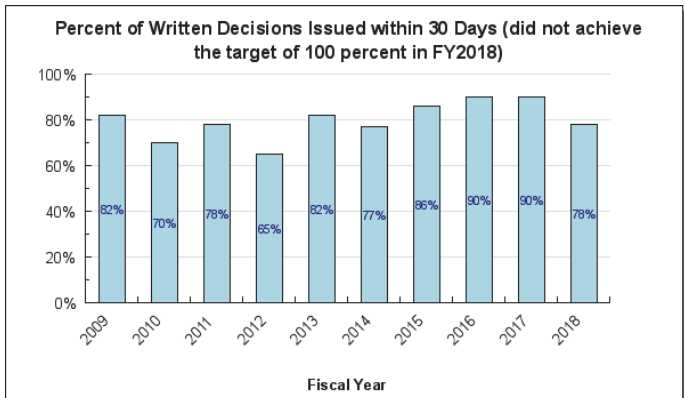
Measures by Core Service

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

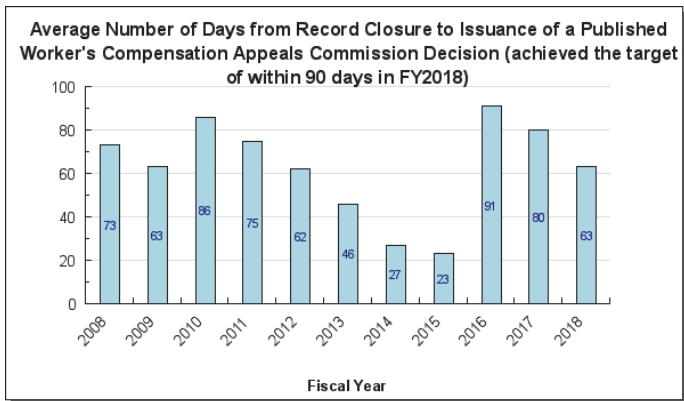
1. Ensure compliance with the Workers' Compensation Act.



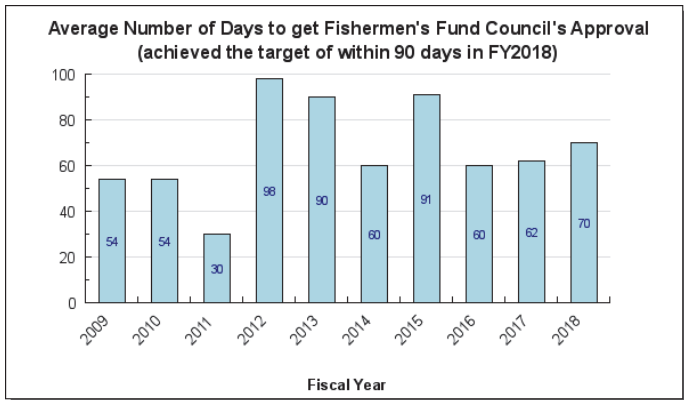
2. Conduct timely Workers' Compensation hearings.



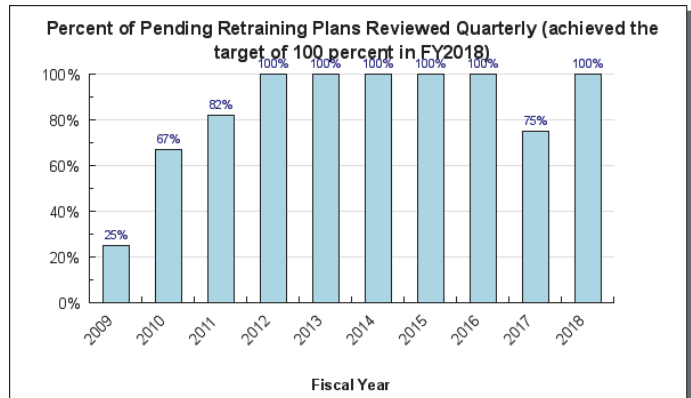
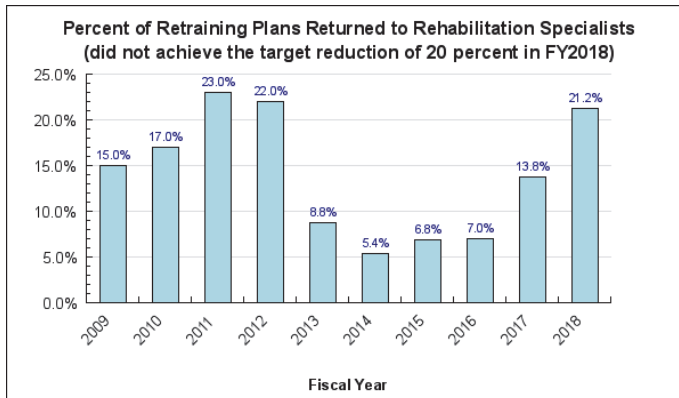
3. Operate a timely and efficient appeals program.



4. Process Fishermen's Fund claims timely.



5. Administer a vocational rehabilitation benefits and training program for injured workers.



Major RDU Accomplishments in 2018

During FY2018, the Division of Workers' Compensation:

- Worked with the Administration and the Legislature to enact legislation to realize efficiencies in Alaska’s workers’ compensation system, help combat worker misclassification by establishing a clear statutory definition of independent contractor, and sunset the no longer necessary Second Injury Fund program.
- Finalized 72 failure to insure cases resulting in a total of \$2.4 million in penalties to be deposited into the Workers' Compensation Benefits Guaranty Fund, which pays benefits to workers injured while working for employers out of compliance with the Alaska Workers' Compensation Act.
- Worked with the Medical Services Review Committee (MSRC) to continue its “phased-in” cost reduction approach to lowering medical costs gradually, which directly resulted in a 3.7 percent workers’ compensation premium rate decrease in May 2016, and helped contribute to the premium rate reductions of 1.6 percent in 2017 and 7.9 percent in 2018. Another significant premium rate reduction (15 to 17 percent) is anticipated in 2019.

Key RDU Challenges

The Division of Workers' Compensation (WC) is challenged to realize further efficiencies and program improvements without statutory changes.

Another key challenge for WC is the revenue impact resulting from the success of reducing workers' compensation premiums in Alaska. WC operations are supported by revenue generated by assessing a fee (2.5 percent) against the premiums paid by employers for workers’ compensation insurance. Therefore, as premiums decline revenue to the program declines.

Significant Changes in Results to be Delivered in FY2020

The Second Injury Fund program will continue to accept new claims until October 1, 2020, for injuries that occurred on or before August 31, 2018. After that, only existing claims will be paid and will decline over time until the Fund's liability is exhausted. It will likely take decades for the Fund to pay these ongoing claim obligations, as 95 percent of these claims are categorized as permanent total disability (PTD) benefits. PTD benefits are paid until disability ends or until death.

Contact Information

Contact Information

Contact: Marie Marx, Director
Phone: (907) 465-6060
E-mail: marie.marx@alaska.gov

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

All dollars shown in thousands

| | FY2018 Actuals | | | | FY2019 Management Plan | | | | FY2020 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 | 5,511.9 | 0.0 | 0.0 | 5,511.9 | 5,704.2 | 0.0 | 0.0 | 5,704.2 | 5,772.5 | 0.0 | 0.0 | 5,772.5 |
| Workers' Comp Appeals Comm | 301.7 | 0.0 | 0.0 | 301.7 | 421.6 | 0.0 | 0.0 | 421.6 | 424.9 | 0.0 | 0.0 | 424.9 |
| WC Benefits Guaranty Fund | 546.7 | 0.0 | 0.0 | 546.7 | 774.9 | 0.0 | 0.0 | 774.9 | 778.5 | 0.0 | 0.0 | 778.5 |
| Second Injury Fund | 2,644.5 | 0.0 | 0.0 | 2,644.5 | 3,248.1 | 0.0 | 0.0 | 3,248.1 | 2,851.2 | 0.0 | 0.0 | 2,851.2 |
| Fishermen's Fund | 824.6 | 0.0 | 0.0 | 824.6 | 1,389.6 | 0.0 | 0.0 | 1,389.6 | 1,396.5 | 0.0 | 0.0 | 1,396.5 |
| Totals | 9,829.4 | 0.0 | 0.0 | 9,829.4 | 11,538.4 | 0.0 | 0.0 | 11,538.4 | 11,223.6 | 0.0 | 0.0 | 11,223.6 |

Workers' Compensation
Summary of RDU Budget Changes by Component
From FY2019 Management Plan to FY2020 Governor

All dollars shown in thousands

| | <u>Unrestricted</u> <u>Gen (UGF)</u> | <u>Designated</u> <u>Gen (DGF)</u> | <u>Other Funds</u> | <u>Federal</u> <u>Funds</u> | <u>Total Funds</u> |
|----------------------------------|---|---------------------------------------|--------------------|--------------------------------|--------------------|
| FY2019 Management Plan | 0.0 | 11,538.4 | 0.0 | 0.0 | 11,538.4 |
| One-time items: | | | | | |
| -Workers' Compensation | 0.0 | -59.8 | 0.0 | 0.0 | -59.8 |
| -Second Injury Fund | 0.0 | -400.0 | 0.0 | 0.0 | -400.0 |
| Adjustments which | | | | | |
| continue current level of | | | | | |
| service: | | | | | |
| -Workers' Compensation | 0.0 | 128.1 | 0.0 | 0.0 | 128.1 |
| -Workers' Comp Appeals Comm | 0.0 | 3.3 | 0.0 | 0.0 | 3.3 |
| -WC Benefits Guaranty Fund | 0.0 | 3.6 | 0.0 | 0.0 | 3.6 |
| -Second Injury Fund | 0.0 | 3.1 | 0.0 | 0.0 | 3.1 |
| -Fishermen's Fund | 0.0 | 6.9 | 0.0 | 0.0 | 6.9 |
| FY2020 Governor | 0.0 | 11,223.6 | 0.0 | 0.0 | 11,223.6 |