

**State of Alaska**  
**FY2021 Governor's Operating Budget**

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

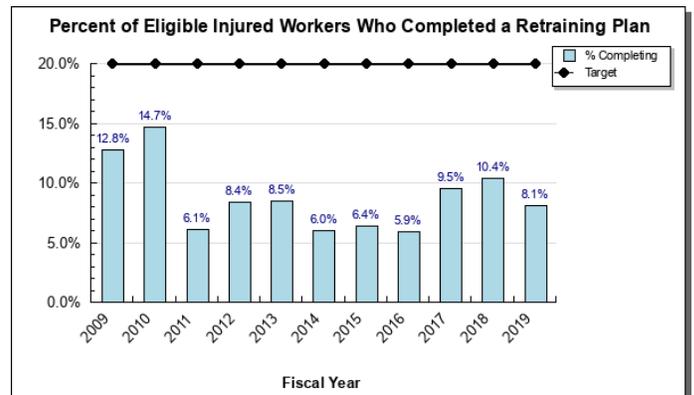
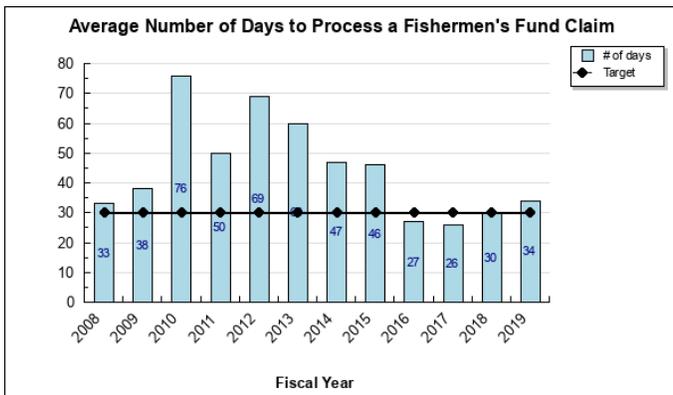
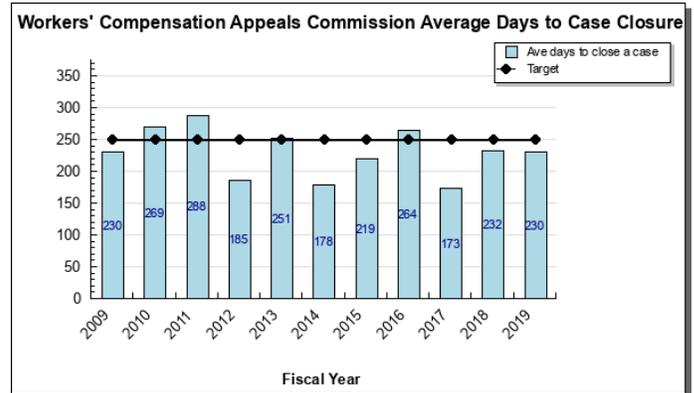
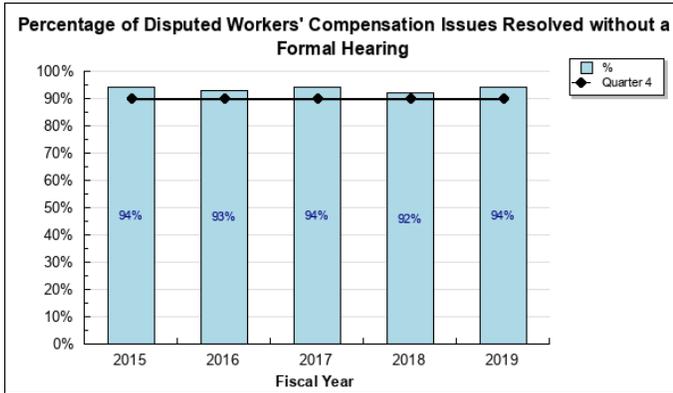
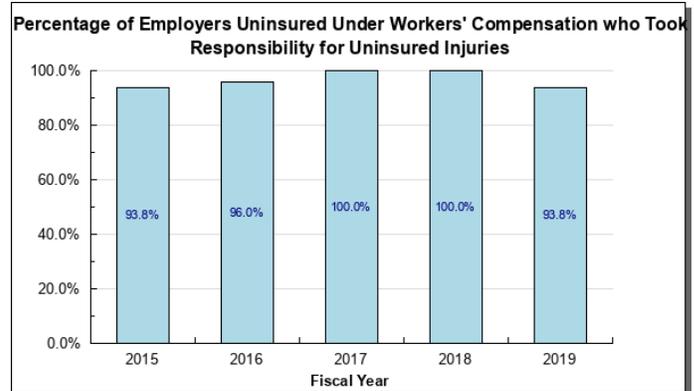
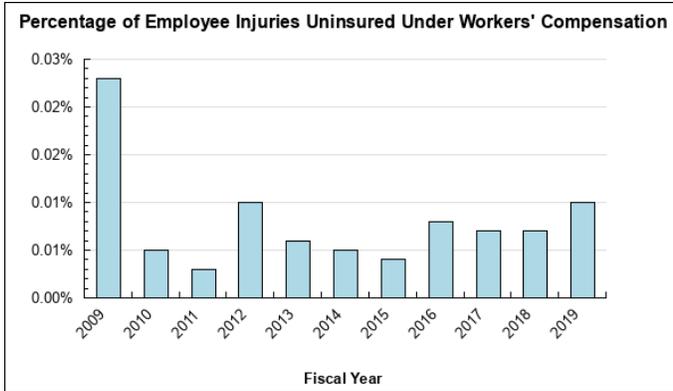
## Workers' Compensation Results Delivery Unit

### Contribution to Department's Mission

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

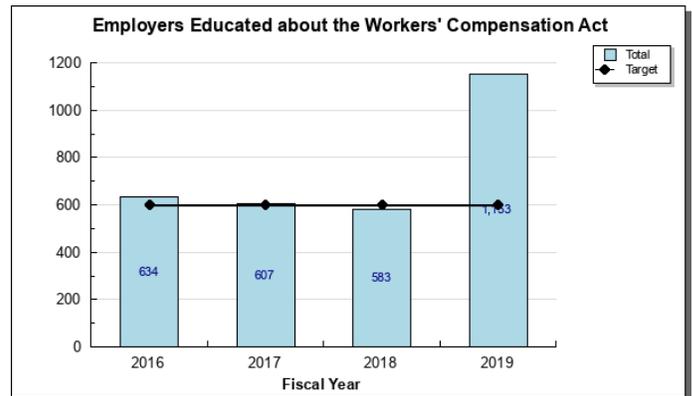
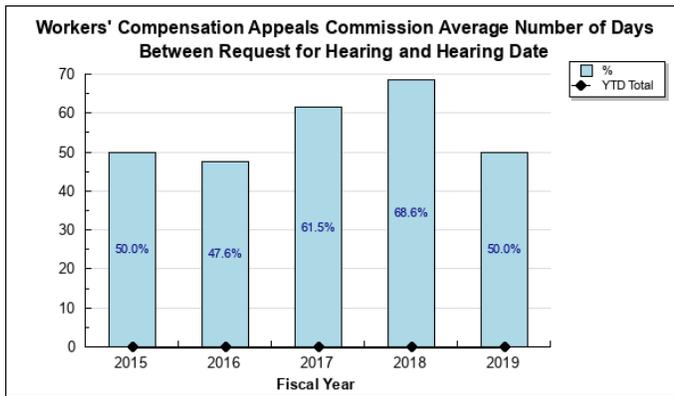
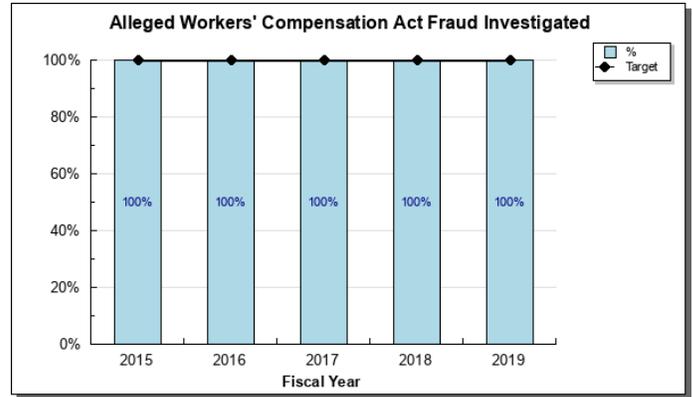
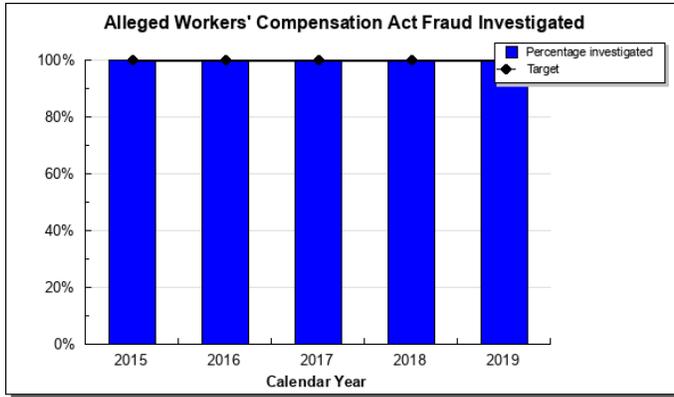
- Ensure compliance with the Workers' Compensation Act.
- Conduct timely Workers' Compensation hearings.

- Operate a timely and efficient appeals program.
- Process Fishermen's Fund claims timely.
- Administer a vocational rehabilitation benefits and training program for injured workers.

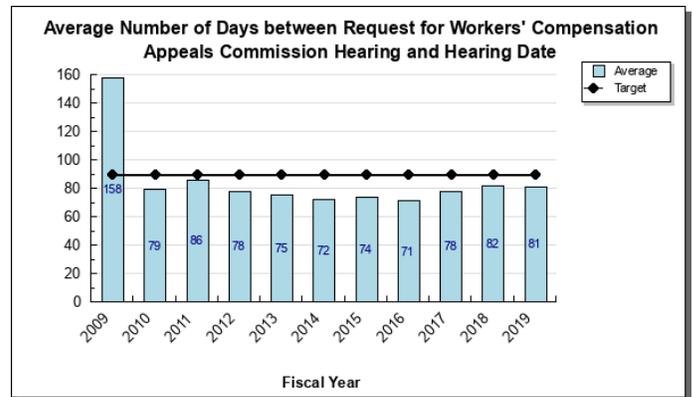
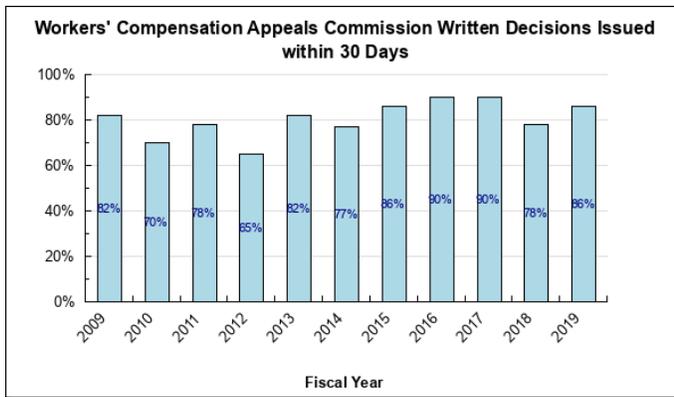
### Measures by Core Service

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

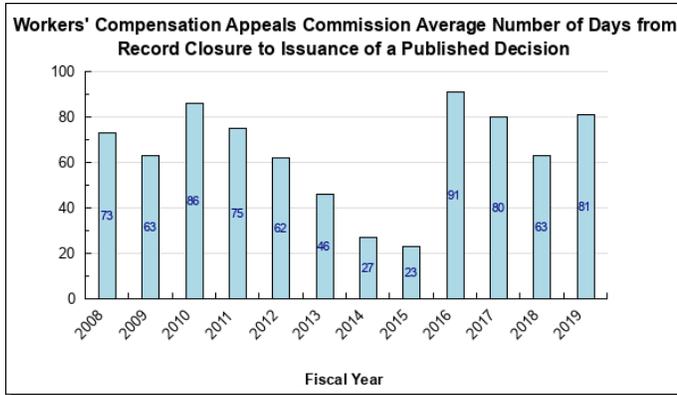
#### 1. Ensure compliance with the Workers' Compensation Act.



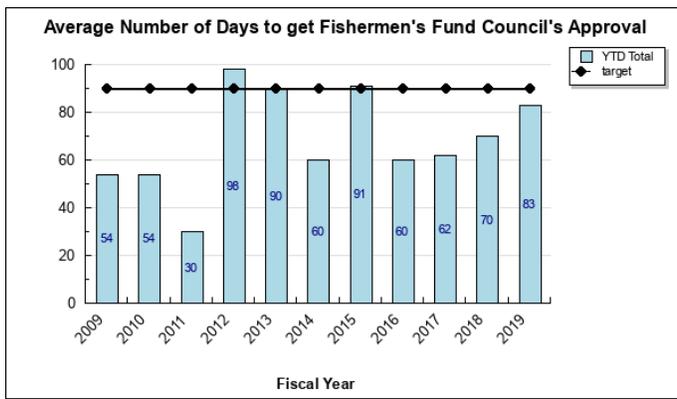
#### 2. Conduct timely Workers' Compensation hearings.



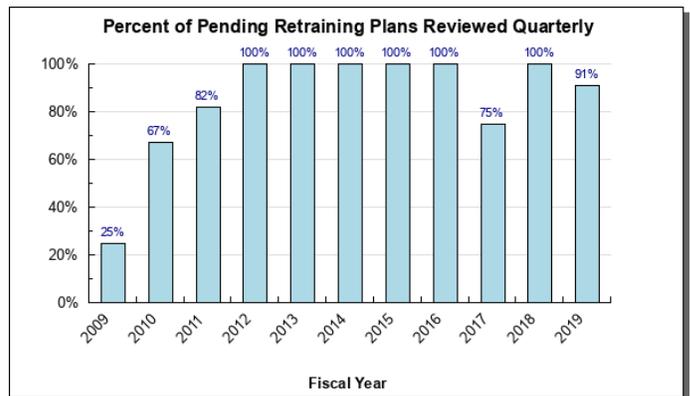
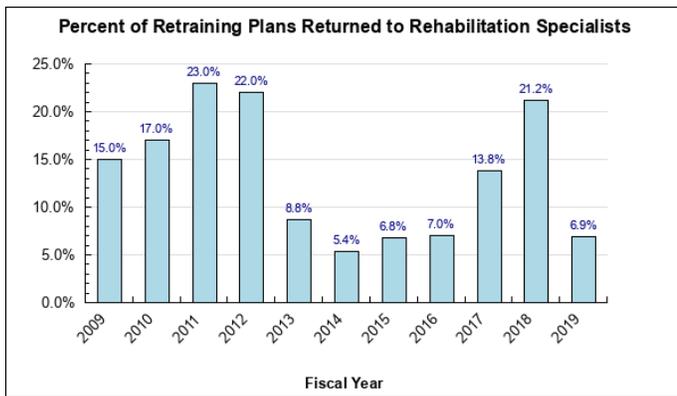
**3. Operate a timely and efficient appeals program.**



**4. Process Fishermen's Fund claims timely.**



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



**Major RDU Accomplishments in 2019**

- Finalized 91 failure to insure cases resulting in a total of \$3.4 million in penalties deposited into the Workers' Compensation Benefits Guaranty Fund during the fiscal year, 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 is anticipated in 2019.

## Key RDU Challenges

Workers' Compensation continues to be challenged by the impact of division success on revenue collection. WC operations are supported by revenue generated by assessing a fee (2.5 percent) against the premiums paid by employers for workers' compensation insurance. As the division works to reduce workers' compensation premiums in Alaska and premiums decline, revenue to the program also declines.

## Significant Changes in Results to be Delivered in FY2021

During the 2019 legislative session, HB 79 was enacted to sunset the Second Injury Fund. The 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 claims 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.

The department proposed legislation during the last legislative session to combine Workers' Compensation and Labor Standards and Safety into the new Division of Workers' Safety and Compensation. When that legislation is enacted, the divisions will work collaboratively to update processes, procedures, and regulations and work with staff in both divisions to finalize the new structure.

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

*All dollars shown in thousands*

	FY2019 Actuals				FY2020 Management Plan				FY2021 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
<b>Formula Expenditures</b> None.												
<b>Non-Formula Expenditures</b>												
Workers' Compensation	5,368.6	0.0	0.0	5,368.6	5,763.7	0.0	0.0	5,763.7	5,801.5	0.0	0.0	5,801.5
Workers' Comp Appeals Comm	323.1	0.0	0.0	323.1	424.9	0.0	0.0	424.9	425.9	0.0	0.0	425.9
WC Benefits Guaranty Fund	556.9	0.0	0.0	556.9	778.5	0.0	0.0	778.5	779.6	0.0	0.0	779.6
Second Injury Fund	2,480.1	0.0	0.0	2,480.1	2,851.2	0.0	0.0	2,851.2	2,852.1	0.0	0.0	2,852.1
Fishermen's Fund	1,004.2	0.0	0.0	1,004.2	1,408.0	0.0	0.0	1,408.0	1,409.9	0.0	0.0	1,409.9
<b>Totals</b>	<b>9,732.9</b>	<b>0.0</b>	<b>0.0</b>	<b>9,732.9</b>	<b>11,226.3</b>	<b>0.0</b>	<b>0.0</b>	<b>11,226.3</b>	<b>11,269.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11,269.0</b>

**Workers' Compensation  
Summary of RDU Budget Changes by Component  
From FY2020 Management Plan to FY2021 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>
<b>FY2020 Management Plan</b>	<b>0.0</b>	<b>11,226.3</b>	<b>0.0</b>	<b>0.0</b>	<b>11,226.3</b>
<b>Adjustments which continue current level of service:</b>					
-Workers' Compensation	0.0	37.8	0.0	0.0	37.8
-Workers' Comp Appeals Comm	0.0	1.0	0.0	0.0	1.0
-WC Benefits Guaranty Fund	0.0	1.1	0.0	0.0	1.1
-Second Injury Fund	0.0	0.9	0.0	0.0	0.9
-Fishermen's Fund	0.0	1.9	0.0	0.0	1.9
<b>FY2021 Governor</b>	<b>0.0</b>	<b>11,269.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11,269.0</b>