

**State of Alaska**  
**FY2005 Governor's Operating Budget**

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

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## Workers' Compensation Results Delivery Unit

### Contribution to Department's Mission

The Workers' Compensation RDU contributes to the department's mission by ensuring that injured Alaska workers receive benefits as defined by law.

### Core Services

The Workers' Compensation component is the administrative arm of the Alaska Workers' Compensation Board, enforcing the Workers' Compensation Act.

The Fishermen's Fund component provides for the care and treatment of Alaska commercial fishermen whose injuries or illnesses are directly connected to operations as fishermen on shore or in Alaska waters.

The Second Injury Fund component ensures that workers' compensation insurance premiums for employees suffering from a condition caused by an earlier injury are equivalent to those of able-bodied workers.

End Results	Strategies to Achieve Results
<p><b>(1) Eliminate the incidence of uninsured employers</b></p> <p><u>Target:</u> Zero uninsured employers. <u>Measure:</u> A continued reduction of uninsured employers.</p> <p><u>Target:</u> Zero uninsured employee injuries. <u>Measure:</u> Lower the percentage of uninsured employee injuries compared to the number of employees in the state.</p> <p><b>(2) Improved delivery of efficient, low cost and legal program benefits.</b></p> <p><u>Target:</u> Parties have a "no wait" hearing process. <u>Measure:</u> Reduce the time it takes for request of workers' compensation hearing to date of hearing.</p> <p><u>Target:</u> Settle all disputed claims whenever possible. <u>Measure:</u> The increase in the percent of cases settled compared to the total cases filed with the Board.</p> <p><b>(3) More Alaskans with Jobs:</b></p> <p><u>Target:</u> Faster Payment of Fisherman's Fund benefits. <u>Measure:</u> Reduce the number of days between the filing of a Fisherman's Fund claim and payment.</p> <p><u>Target:</u> Disabled workers involved in a workers' compensation claim return to work. <u>Measure:</u> The percentage of injured workers who return to work.</p>	<p><b>(1) Scheduled quarterly review of UI tax file against the WC policy file.</b></p> <p><u>Target:</u> Reduction in uninsured versus insured employers. <u>Measure:</u> The decline in the percentage of uninsured employers versus insured employers.</p> <p><u>Target:</u> Investigate policy cancellation notices. <u>Measure:</u> Reduction of the ratio of employers who operate with cancelled policies.</p> <p><u>Target:</u> Reduce the number of uninsured employee injuries <u>Measure:</u> The number of uninsured employee injuries compared from year to year.</p> <p><b>(2) Shorten the time lag for workers' compensation hearings</b></p> <p><u>Target:</u> Enforce the procedure on claims provisions of AS 23.30.110(c) <u>Measure:</u> All requestors receive a hearing within 90 days of request.</p> <p><u>Target:</u> Settlement discussions will take place at all prehearings. <u>Measure:</u> The number of disputed cases that are settled and don't require a hearing.</p> <p><b>(3) Minimize time taken to process Fisherman's Fund claims</b></p> <p><u>Target:</u> Shorten the time between the filing of a claim and the determination of benefits. <u>Measure:</u> The average time it takes between the filing of a claim and a determination.</p>

End Results	Strategies to Achieve Results
	<p><b>(4) Retrain all injured workers who cannot return to the job they held at the time of injury.</b></p> <p><u>Target:</u> All injured workers' eligible for reemployment benefits complete a viable retraining plan.  <u>Measure:</u> Increase in the percentage of injured workers' who are eligible for reemployment benefits who complete a retraining plan.</p>

Major Activities to Advance Strategies
<ul style="list-style-type: none"> <li>• Train hearing officers and pre-hearing officers in settlement negotiation and facilitation</li> <li>• Encourage settlement discussion between parties.</li> <li>• Increase productivity of hearing officers.</li> <li>• Increase the number of hearings held.</li> <li>• Identify potential uninsured employers.</li> </ul>

FY2005 Resources Allocated to Achieve Results							
<p><b>FY2005 Results Delivery Unit Budget: \$7,473,500</b></p>	<p><b>Personnel:</b></p> <table border="0"> <tr> <td>Full time</td> <td style="text-align: right;">41</td> </tr> <tr> <td>Part time</td> <td style="text-align: right;">0</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>41</b></td> </tr> </table>	Full time	41	Part time	0	<b>Total</b>	<b>41</b>
Full time	41						
Part time	0						
<b>Total</b>	<b>41</b>						

**Performance Measure Detail**

**(1) Result: Eliminate the incidence of uninsured employers**

**Target:** Zero uninsured employers.  
**Measure:** A continued reduction of uninsured employers.

Percentage Change in Uninsured Employers Compared to the Total Number of Employers

Year					YTD Total
2001					-2.2%
2002					+.5%
2003					-1%

**Analysis of results and challenges:** The baseline 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. The measurement for this target is the percentage reduction in uninsured employers compared to the total number of employers in the same year. Between the years 2000 and 2003 the percentage of employers who were insured increased from 96.3% to 99%.

The rate of change is as follows: between year 2000 and 2001 there was a 2.2% reduction of uninsured employers; between 2001 to 2002 there was a .5% increase; between 2002 and 2003 there was a 1% reduction.

**Target:** Zero uninsured employee injuries.  
**Measure:** Lower the percentage of uninsured employee injuries compared to the number of employees in the state.

The percent of uninsured injuries as compared to total workforce required to be covered

Year	Quarter 1	Quarter 2	Uninsured In	Workforce	YTD Total
1998			118	275,000	.04%
1999			59	260,900	.023%
2000			38	266,900	.014%
2001			19	271,126	.007%
2002			16	275,476	.0058%
2003	0	0	15	283,444	.0053%

**Analysis of results and challenges:** In order to show a true reduction in uninsured employee injuries it is important to compare the number of uninsured employee injuries to the total number of employees year to year. This allows the division to show this change in percentage of workforce injured and uninsured. In 1998 there were 118 uninsured injuries in a total workforce of 275,000 employees or a ratio of .04%. In 1999 there were 59 uninsured injuries in a total workforce of 260,900 employees for a ratio of .023%. In 2000 there were 38 uninsured injuries in a total workforce 266,900 for a ratio of .014%. In 2001 there were 19 uninsured injuries in a workforce 271,126 for a ratio of .007%. In 2002 there were 16 uninsured injuries in a total workforce of 275,476 employees for a ratio of .005%. Finally, in 2003 there were 15 uninsured injuries a total workforce of 283,444 for a ratio of .0053%.

## (2) Result: Improved delivery of efficient, low cost and legal program benefits.

**Target:** Parties have a "no wait" hearing process.

**Measure:** Reduce the time it takes for request of workers' compensation hearing to date of hearing.

Rate of change from year to year in the number of days between the request for hearing and the hearing date

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2001	0	0	0	0	+1.1
2002	0	0	0	0	+37
2003	0	0	0	0	-85
2004	0	0	0	0	-2.50
2005	0	0	0	0	-2.5

**Analysis of results and challenges:** It was determined that the benchmark between the request for hearing and the hearing would be 90 days. Because of the increasing time lag the legislature provided an additional hearing officer and a board panel. The department promulgated a regulation that required hearings to be scheduled within 60 days of prehearings. While it took some time for these investments to show results, there was a drastic hearing time lag improvement in FY03. In FY 03 the division met its benchmark of 90 days from request to hearing. Because of the drastic improvement the division is changing the benchmark to 85 days. The division believes this goal can be attained without additional resources through FY05.

The average time from request to hearing was: FY00 - 135.6 days; FY01 - 137.7 days; FY02 - 175days; FY03 - 90 days. The rate of change from year to year was: FY00 to FY01 = +1.1 days; FY01 to FY02 = +37 days; FY02 to FY03 = -85 days. If the current level of funding remains the same, the division projects reductions in: FY03 to FY04 = -2.5 days, and FY04 to FY05 = -2.5 days.

**Target:** Settle all disputed claims whenever possible.

**Measure:** The increase in the percent of cases settled compared to the total cases filed with the Board.

**Analysis of results and challenges:** If the budget remains the same as last year, it is the goal of the division to increase the percentage of cases settled or resolved if the caseload remains approximately the same as the previous year. If the caseload goes up from the previous year the goal is for the percentage of settled claims to remain the same as the previous year. In 2000 there were 1746 cases filed with the division and 621 case settled or resolved. In 2001 there were 1987 cases filed with the division and 636 were settled or resolved. In 2002 there were 2061 cases filed with the division and 630 were settled. In 2003 there were 2315 cases filed and 818 settled or resolved. Between 2000 and 2001 there was a 12% increase in caseload and 3% decrease in the percentage of case settled. Between 2001 and 2002 there was a 4% increase in the caseload and 2.5% decrease in cases settled. Between 2002 and 2003 there was an 11% increase in caseload and a 4.5% increase in cases settled.

**(3) Result: More Alaskans with Jobs:**

**Target:** Faster Payment of Fisherman's Fund benefits.

**Measure:** Reduce the number of days between the filing of a Fisherman's Fund claim and payment.

**Analysis of results and challenges:** The measurement for this target is to reduce the number of days between the time of a fisherman's fund claim and the date of payment. The goal is to reduce the time to an average of 20 days. This will aid the fisherman's treatment so he can return to work as soon as possible. Between FY 2000 and 2001 the average time was reduced from 68 to 29 days for a reduction of 39 days. Between 2001 and 2002 the average time was reduced from 29 to 28 days for a reduction of 1 day. Between 2002 and 2003 the average time stayed at 28 days. Because of predicted efficiencies derived from the new computer program, the Fisherman's Fund believes that the average time can be further reduced to 25 days in 2004 and to 20 days in 2005.

**Target:** Disabled workers involved in a workers' compensation claim return to work.

**Measure:** The percentage of injured workers who return to work.

**Analysis of results and challenges:** This is a new measurement and the division is currently developing ways to try to capture this number.

**(1) Strategy: Scheduled quarterly review of UI tax file against the WC policy file.**

**Target:** Reduction in uninsured versus insured employers.

**Measure:** The decline in the percentage of uninsured employers versus insured employers.

**Analysis of results and challenges:** In order to determine whether there is a decline in uninsured employers it is necessary to compare the number of uninsured employers to the total employers. This eliminates the possibility that the number of uninsured employers is just a reflection of a fluctuation in the number of employers. By FY05 the division's goal is to have the percentage of uninsured employers below 1%. Of the statistics we have the number of uninsured employers compared to the number of employers are as follows: in 2000 there were 599 uninsured employers identified and a total of 16,126 employers for 3.7% ratio; in 2001 there were 249 uninsured employers identified and a total of 16,336 employers for a 1.5% ratio; in 2002 there were 350 uninsured employers identified and a total of 16,456 employers for a 2% ratio; and in 2003 there were 177 uninsured employers identified with a total 16,760 employers for a 1% ratio.

**Target:** Investigate policy cancellation notices.

**Measure:** Reduction of the ratio of employers who operate with cancelled policies.

**Analysis of results and challenges:** This is a new target and measurement. The division is in the process of developing and collecting data. The results will appear in the FY06 budget.

**Target:** Reduce the number of uninsured employee injuries

**Measure:** The number of uninsured employee injuries compared from year to year.

**Analysis of results and challenges:** Because of the rise of uninsured injuries the Division hired an investigator in FY99. The investigator performs investigations and promotes legal compliance through computer generated information inquiries; letters to uninsured employers; on site investigations, cease and desist orders, accusations before the Workers' Compensation Board; testimony before the Board which leads to stop orders and fines; and evidence and testimony in criminal prosecutions through the Department of Law. These activities have been greatly enhanced by the new computer system.

**(2) Strategy: Shorten the time lag for workers' compensation hearings**

**Target:** Enforce the procedure on claims provisions of AS 23.30.110(c)

**Measure:** All requestors receive a hearing within 90 days of request.

**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 must be held within 30 days to set a hearing. If the hearing is scheduled within 60 days from the prehearing, 90 days to set a hearing from the date of request is reasonable. The division was able to meet the 90-day benchmark in FY03. For FY04, the Division has set the benchmark at 85 days.

**Target:** Settlement discussions will take place at all prehearings.

**Measure:** The number of disputed cases that are settled and don't require a hearing.

#### Number of Cases Resolved

Year					YTD Total
2000		0	0	0	621
2001		0	0	0	636
2002		0	0	0	630
2003		0	0	0	818

**Analysis of results and challenges:** A number of cases are settled or otherwise resolved prior to a hearing. It is the goal of the division for parties to reach agreement prior to the need for a hearing.

### (3) Strategy: Minimize time taken to process Fisherman's Fund claims

**Target:** Shorten the time between the filing of a claim and the determination of benefits.

**Measure:** The average time it takes between the filing of a claim and a determination.

#### Average number of days for processing a Fisherman's Fund claim

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2000	0	0	0	0	68
2001	0	0	0	0	29
2002	0	0	0	0	28
2003	0	0	0	0	28
2004	0	0	0	0	25
2005	0	0	0	0	20

**Analysis of results and challenges:** During FY04 the Fishermen's Fund moved to a new claims processing system. The new claims processing system includes the ability to provide additional reporting capability in addition to providing for increased automation of tasks. One example of the automation of tasks is that claims entered in the new system for payment will be processed via the State Accounting System (AKSAS) via an interface which will increase efficiency in providing payments while decreasing the need for duplicate data entry of information in both systems. The table provided shows the average processing days beginning in FY 00. The average processing days shown on the table for FY 04,(25), and the number for FY 05,(20), are the average processing day goals we anticipate to meet for FY 04 and FY 05.

### (4) Strategy: Retrain all injured workers who cannot return to the job they held at the time of injury.

**Target:** All injured workers' eligible for reemployment benefits complete a viable retraining plan.

**Measure:** Increase in the percentage of injured workers' who are eligible for reemployment benefits who complete a retraining plan.

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD Total
2002	0	0	0	0	6%
2001	0	0	0	0	3.5%
2000	0	0	0	0	5.5%

**Analysis of results and challenges:** The reemployment benefits section of the Workers' Compensation Act provides the ability for those 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. In calendar year 2000, 393 claimants were found eligible for retraining benefits and 22 completed a retraining plan. In calendar year 2001, 430 claimants were found eligible for retraining benefits and 15 completed a retraining plan. In calendar year 2002, 451 claimants were found eligible for retraining benefits and 28 completed a retraining plan.

## Key RDU Challenges

Assist the Division of Insurance and the insurance industry with resolving the crisis facing the Alaska Insurance Guaranty Association. The Division will work toward legislative and regulatory reform that will help reduce workers' compensation costs and premiums to Alaska employers. These reductions will help limit the effect of increases in assessments to fund the Guaranty Association.

Reform the current reemployment benefits system through legislation that will convert the system from a retraining plan program to a retraining grant program.

Contain the rising cost of medical benefits through the medical fee schedule and the regulatory process.

Transition into and take advantage of efficiencies using the new proof of coverage electronic data interchange system. It is estimated that it will take an entire year to complete a cycle of coverage for full implementation.

Implement the new Fishermen's Fund computerized database and claims handling system in order to develop internal and external efficiencies.

Decrease the Workers' Compensation hearing time lag in order to reduce the burden and expense to employers and employees.

Continue to expand the electronic data interchange (electronic filing) system. A capital project to fund Phase Two was approved in the FY 2004 budget and funding for Phase Three is being requested for FY05. The next phase will encompass filing of injury reports and compensation reports.

Continue investigations of potentially uninsured employers in an attempt to eliminate the number of uninsured Alaskan workers that are injured each year. The electronic data interchange proof of coverage system will be used to enhance this effort.

Investigate potential legislative and administrative possibilities so that uninsured injured workers can be compensated for their injuries.

## Significant Changes in Results to be Delivered in FY2005

The ability to accept electronic filing of proof of insurance coverage will create efficiencies for both the division and the public as well as enhance the agency's uninsured employer investigations.

## Major RDU Accomplishments in 2003

The Division has completed programming for the first phase of the electronic data interface proof of coverage. The proof of coverage program will be placed into full production on January 1, 2004.

The Fishermen's Fund completed development of a new information handling system and it is now in production.

There has been a major reduction in the time lag for Board hearings from an average of 175 days to 90 days.

**Contact Information**

**Contact:** Paul Grossi, Director  
**Phone:** (907) 465-2790  
**Fax:** (907) 465-2797  
**E-mail:** Paul\_Grossi@labor.state.ak.us

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

*All dollars shown in thousands*

	FY2003 Actuals				FY2004 Authorized				FY2005 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
<b>Formula Expenditures</b>												
None.												
<b>Non-Formula Expenditures</b>												
Workers' Compensation	0.0	0.0	0.0	0.0	0.0	0.0	2,888.0	2,888.0	0.0	0.0	2,954.0	2,954.0
Second Injury Fund	0.0	0.0	0.0	0.0	0.0	0.0	3,188.5	3,188.5	0.0	0.0	3,195.9	3,195.9
Fishermens Fund	0.0	0.0	0.0	0.0	0.0	0.0	1,316.5	1,316.5	0.0	0.0	1,323.6	1,323.6
<b>Totals</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7,393.0</b>	<b>7,393.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7,473.5</b>	<b>7,473.5</b>

**Workers' Compensation  
Summary of RDU Budget Changes by Component  
From FY2004 Authorized to FY2005 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2004 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>7,393.0</b>	<b>7,393.0</b>
<b>Adjustments which will continue current level of service:</b>				
-Workers' Compensation	0.0	0.0	100.0	100.0
-Second Injury Fund	0.0	0.0	7.4	7.4
-Fishermens Fund	0.0	0.0	7.1	7.1
<b>Proposed budget decreases:</b>				
-Workers' Compensation	0.0	0.0	-50.0	-50.0
<b>Proposed budget increases:</b>				
-Workers' Compensation	0.0	0.0	16.0	16.0
<b>FY2005 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>7,473.5</b>	<b>7,473.5</b>