

State of Alaska
FY2006 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 Workers' Compensation RDU contributes to the department's mission of advancing employment opportunities by ensuring payment of workers' compensation benefits to injured workers, administering the Second Injury Fund to reduce financial disincentives to reemployment of disabled workers, and administering the Fishermen's Fund to pay medical bills for the occupational injuries and illnesses of commercial fishermen.

Core Services

The Workers' Compensation Act established a Board to set policy and insure proper implementation of the Act's benefits and requirements. The workers' compensation component is the Board's administrative arm. It maintains a comprehensive database, disseminates information, investigates complaints, informally resolves disputes, and aids the Board's provision of fair, formal hearings on disputed claims. It also assists the Board in enforcing the requirement that employers either insure or qualify to self-insure their workers' compensation liabilities.

The Fishermen's Fund component pays the costs of health care and medical treatment, provided to Alaskan commercial fishermen for occupational injuries or illnesses directly connected to operations on shore or in Alaska waters, when the costs are not covered by public or private insurance.

The Second Injury Fund component reduces financial disincentives to reemployment of disabled workers. This is done by limiting a subsequent employer's liability for compensation payable when a previously disabled employee sustains a second injury causing additional disability.

End Results	Strategies to Achieve Results
<p>A: Eliminate the incidence of uninsured employers</p> <p><u>Target #1:</u> Zero uninsured employers. <u>Measure #1:</u> Continued reduction of uninsured employers.</p> <p><u>Target #2:</u> Zero uninsured employee injuries. <u>Measure #2:</u> Lower the percentage of uninsured employee injuries compared to the number of employees in the state.</p>	<p>A1: Scheduled quarterly review of UI tax file against the WC policy file.</p> <p><u>Target #1:</u> Reduction in uninsured versus insured employers. <u>Measure #1:</u> The decline in the percentage of uninsured employers versus insured employers.</p> <p><u>Target #2:</u> Investigate policy cancellation notices. <u>Measure #2:</u> Reduction of the ratio of employers who operate with cancelled policies.</p> <p><u>Target #3:</u> Reduce the number of uninsured employee injuries <u>Measure #3:</u> The number of uninsured employee injuries compared from year to year.</p>
End Results	Strategies to Achieve Results
<p>B: Improved delivery of efficient, low cost and legal program benefits.</p> <p><u>Target #1:</u> Parties have a "no wait" hearing process. <u>Measure #1:</u> Reduce the time it takes from request of workers' compensation hearing to date of hearing.</p> <p><u>Target #2:</u> Settle all disputed claims whenever possible.</p>	<p>B1: Shorten the time lag for workers' compensation hearings</p> <p><u>Target #1:</u> Settlement discussions will take place at all prehearings. <u>Measure #1:</u> The number of disputed cases that are settled and don't require a hearing.</p>

<u>Measure #2:</u> The increase in the percent of cases settled compared to the total cases filed with the Board.	
End Results	Strategies to Achieve Results
<p>C: More Alaskans with Jobs:</p> <p><u>Target #1:</u> Faster Payment of Fisherman's Fund benefits.</p> <p><u>Measure #1:</u> Reduce the number of days between the filing of a Fisherman's Fund claim and payment.</p> <p><u>Target #2:</u> Disabled workers involved in a workers' compensation claim return to work.</p> <p><u>Measure #2:</u> The percentage of injured workers who return to work.</p>	<p>C1: Minimize time taken to process Fisherman's Fund claims</p> <p><u>Target #1:</u> Shorten the time between the filing of a claim and the determination of benefits.</p> <p><u>Measure #1:</u> The average time it takes between the filing of a claim and a determination of eligibility.</p> <p>C2: Retrain all injured workers who cannot return to the job they held at the time of injury.</p> <p><u>Target #1:</u> All injured workers' eligible for reemployment benefits complete a viable retraining plan.</p> <p><u>Measure #1:</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"> • 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. • Resolve recurring Second Injury Fund reimbursement problems, research/analyze future role of SIF.

FY2006 Resources Allocated to Achieve Results							
<p>FY2006 Results Delivery Unit Budget: \$8,652,300</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">43</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">1</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">44</td> </tr> </table>	Full time	43	Part time	1	Total	44
Full time	43						
Part time	1						
Total	44						

Performance Measure Detail

A: Result - Eliminate the incidence of uninsured employers

Target #1: Zero uninsured employers.
Measure #1: Continued reduction of uninsured employers.

Percentage of Uninsured Employers

Year	YTD
2001	1.5%
2002	2.0%
2003	1.0%
2004	0.8%

Analysis of results and challenges: The 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. Between the years 2001 and 2004 the percentage of employers who were uninsured decreased from 1.5% to 0.8%.

The rate of change is as follows: between year 2001 and 2002 there was a 0.5% increase in uninsured employers; between 2002 to 2003 there was a 1.0% reduction; and between 2003 and 2004 there was a 0.20% reduction.

Target #2: Zero uninsured employee injuries.

Measure #2: Lower the percentage of uninsured employee injuries compared to the number of employees in the state.

The percent of uninsured injuries to total workforce

Year	Injuries	Workforce	YTD
2001	19	271,126	.007%
2002	16	275,476	.0058%
2003	15	283,444	.0053%
2004	29	282,400	.009%

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.

A1: Strategy - Scheduled quarterly review of UI tax file against the WC policy file.

Target #1: Reduction in uninsured versus insured employers.

Measure #1: The decline in the percentage of uninsured employers versus insured employers.

number of private employers

Fiscal Year	# employers	% uninsured	YTD
FY2001	17,336	1.43	
FY2002	17,870	1.96	
FY2003	18,538	0.96	
FY2004	18,522	0.78	

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 number of private employers. Based on Workers' Compensation injury statistics and employment statistics obtained from Research & Analysis, the number of uninsured employers decreased from 1.43% in 2001 to 0.78% in 2004.

Target #2: Investigate policy cancellation notices.

Measure #2: Reduction of the ratio of employers who operate with cancelled policies.

Analysis of results and challenges: This is a new target and measurement. In January 2004, the division implemented electronic reporting of employer insurance policy information from insurers using electronic data interchange (edi) technology. The division is in the process of developing a reporting system to measure this performance target. The results will appear in the FY07 budget.

Target #3: Reduce the number of uninsured employee injuries

Measure #3: The number of uninsured employee injuries compared from year to year.

Number of uninsured employee injuries

Year	YTD
1999	59
2000	38
2001	19
2002	16
2003	15
2004	29

Analysis of results and challenges: Because of the rise of uninsured injuries the Division hired an investigator in FY99. The investigator conducts investigations, brings actions against uninsured employers before the Workers' Compensation Board, and presents evidence and testimony which can lead to stop orders, fines, and criminal prosecution through the Department of Law.

Since adding an investigator, the division has observed a steady reduction in the number of uninsured injuries, with the exception of the most recent year. In FY04 the number of uninsured injuries rose from 15 to 29. The Division believes this increase is due to the significant increases in workers' comp insurance premiums over the last three years. As premiums rise, more employers attempt to circumvent insurance requirements or have their policies cancelled for nonpayment of premium.

B: Result - Improved delivery of efficient, low cost and legal program benefits.

Target #1: Parties have a "no wait" hearing process.

Measure #1: Reduce the time it takes from request of workers' compensation hearing to date of hearing.

Number of days between request for hearing & hearing date

Fiscal Year	YTD
FY2000	135
FY2001	137
FY2002	175
FY2003	90
FY2004	90*

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 benchmark between the request for hearing and the hearing was initially established at 90 days. Because of the increasing time lag the legislature provided an additional hearing officer and board panel. The department promulgated a regulation requiring 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. Based on current performance the division is changing the benchmark to 85 days. The division believes this goal can be attained without additional resources.

*Due to vacancies in the Division's two administrative positions in FY04 complete statistics are unavailable. However, the average time from request to hearing was estimated to be 90 days in FY 04.

Target #2: Settle all disputed claims whenever possible.

Measure #2: The increase in the percent of cases settled compared to the total cases filed with the Board.

Percent of Cases Settled

Fiscal Year	cases filed	# settled	% settled	YTD
FY2001	1987	636	32%	32%
FY2002	2061	630	30.6%	30.6%
FY2003	2315	818	35.3%	35.3%
FY2004	2462	811	32.9%	32.9%

Analysis of results and challenges: It is the goal of the division to increase the overall percentage of cases settled or resolved. Between 2001 and 2004 there was a 24% increase in caseload. During the same time the percent of cases settled or resolved increased slightly from 32% to 32.9%.

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

Target #1: Settlement discussions will take place at all prehearings.

Measure #1: The number of disputed cases that are settled and don't require a hearing.

Number of Cases Settled & Resolved

Year	YTD
2000	621
2001	636
2002	630
2003	818
2004	811

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.

C: Result - More Alaskans with Jobs:

Target #1: Faster Payment of Fisherman's Fund benefits.

Measure #1: Reduce the number of days between the filing of a Fisherman's Fund claim and payment.

Number of days to pay claim

Fiscal Year	# of days	YTD
FY2000	68	68
FY2001	29	29
FY2002	28	28
FY2003	28	28
FY2004	25	25

Analysis of results and challenges: The measurement for this target is to reduce the number of days between the filing of a Fisherman's Fund claim and the date of payment. The goal is to pay claims within 20 days. This will aid a fisher's treatment so they can return to work as soon as possible. Between FY 02 and 04 the average time was reduced from 68 days to 25 days.

In 2004, the Fisherman's Fund completed integrated a new claims management computer system. Because of anticipated efficiencies derived from this new system, the Fisherman's Fund believes that the average time can be reduced to 20 days in FY 05.

Target #2: Disabled workers involved in a workers' compensation claim return to work.

Measure #2: 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.

C1: Strategy - Minimize time taken to process Fisherman's Fund claims

Target #1: Shorten the time between the filing of a claim and the determination of benefits.

Measure #1: The average time it takes between the filing of a claim and a determination of eligibility.

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

Year	YTD
2000	68
2001	29
2002	28
2003	28
2004	25

Analysis of results and challenges: During FY 04 the Fishermen's Fund moved to a new claims processing system. This system includes the ability to provide enhanced 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. Because of anticipated efficiencies derived from the new computer program, the Fishermen's Fund believes that the average time can be further reduced to 20 days in FY 05.

C2: Strategy - Retrain all injured workers who cannot return to the job they held at the time of injury.

Target #1: All injured workers' eligible for reemployment benefits complete a viable retraining plan.

Measure #1: Increase in the percentage of injured workers' who are eligible for reemployment benefits who complete a retraining plan.

Percent of Eligible Workers Completing Rehabilitation Program

Year	#eligible	YTD
2000	393	6.0%
2001	430	3.5%
2002	457	5.5%
2003	414	3.9%
2004	420(est)	4.3% (est)

Analysis of results and challenges: The reemployment benefits section of the Workers' Compensation Act provides the opportunity for 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.

Key RDU Challenges

Assist in development of computer programming needed for extension of the new electronic data interchange system to allow for electronic filing of injury and payment reports.

Assist in refinement of the new electronic proof of coverage system to better report policy cancellations in order to aid in the identification and investigation of suspected uninsured employers to further reduce uninsured injuries.

Continue to research and assist in labor-management ad hoc committee efforts to address rapidly increasing workers' compensation liability insurance premium costs without adversely affecting benefits provided to injured workers.

Continue investigations of potentially uninsured employers in order to lessen the incidence of uninsured injuries. Refine the electronic data interchange proof of coverage reporting system to enhance these efforts.

Research alternatives for payment of benefits owed by uninsured and insolvent employers. Research whether maintaining Second Injury Fund in present form continues to meet the requirements of Alaskan employees and employers.

Continue to monitor the SIF expenditures and revenue to assure that there are adequate SIF funds to reimburse eligible insurers. Expanded benefit eligibility criteria and increased litigation expenses are a result from a recent case, the Arctic Bowl case. The SIF must also develop regulations to resolve recurring budget impacts of reimbursement requests filed after the end of the state fiscal year.

Refine the implementation of the new Fishermen's Fund computerized database and claims handling system in order to develop additional internal and external efficiencies. Continue to research possibilities of gaining further efficiencies through electronic claim filing computer programs.

Continue to promote awareness of the Fishermen's Fund program and its benefits. Fishers continue to require efforts to spread awareness of this program, its requirements, and the available benefits for which they may be eligible. Medical and health care providers continue to require additional efforts to inform them of required submission and completion of claims. To address these issues the unit continues to investigate web-based training and communication programs for fishermen and/or health care providers.

Significant Changes in Results to be Delivered in FY2006

With the requested Technician for the Fairbanks office there will be an improved delivery of informational services and a reduction of delays in informal and formal resolution of disputed claims in the workers' compensation office serving the northern tier of the state.

The department will improve completeness and reliability of medical and health care benefits database by reducing the backlog of unfiled Physician Reports utilizing the requested Administrative Clerk positions.

We are undertaking an initiative to reduce rapidly increasing workers' compensation insurance premium cost drivers. We will need funding for the additional costs of meeting travel and other associated costs but are not yet ready to formalize into a budget request. We anticipate coming forward with a proposal in the budget amendment process.

The program will complete system development and begin trial implementation of electronic filing of injury and payment reports.

Workers' Comp will continue to emphasize efforts to reduce the number of uninsured employers and uninsured work place injuries.

Having obtained supplemental spending authority, the Second Injury Fund is positioned to pay off the reimbursement requests submitted after the end of the state fiscal year, and prevent a recurrence through development of new regulations. To address the potential of unexpected claims or increases in claims the department is requesting that language be added to the appropriation bill for both the Second Injury Fund and for the Fishermen's Fund that would allow for increased expenditure authorization for benefit payments if needed during a fiscal year.

Major RDU Accomplishments in 2004

The workers' compensation component, along with the Division of Insurance, successfully supported the Governor's initiative to maintain the viability of the Alaska Insurance Guaranty Association despite recent insurance company insolvencies. Doing so avoided payment of partial benefits to injured workers and imposition of the balance of the liabilities on their employers.

The Fishermen's Fund further refined its new information handling system to increase efficiencies and facilitate prompt payment of benefits.

The Second Injury Fund component assisted in the implementation of the first phase of the electronic data interface

(EDI) "proof of coverage," in January 2004. Implementation resulted in the expected internal and external efficiencies and received national recognition for effectiveness. The unit also developed a short and long-term plan for resolving the recurring problems from delayed reimbursement requests.

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

All dollars shown in thousands

	FY2004 Actuals				FY2005 Management Plan				FY2006 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	2,809.0	2,809.0	0.0	0.0	3,089.0	3,089.0	0.0	0.0	3,289.4	3,289.4
Second Injury Fund	0.0	0.0	3,168.0	3,168.0	0.0	0.0	4,019.7	4,019.7	0.0	0.0	4,027.5	4,027.5
Fishermens Fund	0.0	0.0	909.4	909.4	0.0	0.0	1,328.5	1,328.5	0.0	0.0	1,335.4	1,335.4
Totals	0.0	0.0	6,886.4	6,886.4	0.0	0.0	8,437.2	8,437.2	0.0	0.0	8,652.3	8,652.3

**Workers' Compensation
Summary of RDU Budget Changes by Component
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	0.0	8,437.2	8,437.2
Adjustments which will continue current level of service:				
-Workers' Compensation	0.0	0.0	88.6	88.6
-Second Injury Fund	0.0	0.0	7.8	7.8
-Fishermens Fund	0.0	0.0	6.9	6.9
Proposed budget increases:				
-Workers' Compensation	0.0	0.0	111.8	111.8
FY2006 Governor	0.0	0.0	8,652.3	8,652.3