

**State of Alaska  
FY2009 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. It does so by ensuring 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

The Workers' Compensation Act established a Board to set policy and ensure 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 Workers' Compensation Act was amended in 2005 to create the Workers' Compensation Appeals Commission and the Benefits Guaranty Fund. The commission has jurisdiction to hear appeals from final decisions and orders of the Workers' Compensation Board. The Benefits Guaranty Fund will be used to pay benefits to workers whose employer was uninsured at the time of the injury.

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 Result	Strategies to Achieve End Result
<p><b>A: All employers comply with AS 23.30, the Alaska Workers' Compensation Act</b></p> <p><u>Target #1:</u> Zero uninsured employers. <u>Measure #1:</u> Percent of uninsured employers.</p> <p><u>Target #2:</u> Zero uninsured employee injuries. <u>Measure #2:</u> Number of uninsured employee injuries.</p>	<p><b>A1: Quarterly review of cancelled Workers' Compensation policies.</b></p> <p><u>Target #1:</u> Investigate 100% of Workers' Compensation policy cancellation notices. <u>Measure #1:</u> Number of employers reviewed that cancelled their workers' compensation insurance policy or had their policy expire.</p> <p><u>Target #2:</u> Investigate employers suspected of illegally operating without workers' compensation insurance coverage. <u>Measure #2:</u> Number of employers discovered and brought into compliance.</p>
End Result	Strategies to Achieve End Result
<p><b>B: Improved delivery of efficient, low cost and legal informal and formal dispute resolution</b></p> <p><u>Target #1:</u> Parties will have hearing scheduled within 90 days of notice of readiness. <u>Measure #1:</u> Number of days it takes from request of</p>	<p><b>B1: Shorten the time lag for workers' compensation hearings.</b></p> <p><u>Target #1:</u> Settle disputed issues whenever possible during prehearing conferences. <u>Measure #1:</u> The number of disputed issues that are</p>

<p>workers' compensation hearing to date of hearing.</p> <p><u>Target #2:</u> 100% of all written decisions will be issued within 30 days of record closure.</p> <p><u>Measure #2:</u> Percent of written decisions issued within 30 days.</p> <p><u>Target #3:</u> Reduce the total number of open cases at the Appeals Commission</p> <p><u>Measure #3:</u> Open caseload at the end of the reporting period</p>	<p>settled at prehearing conferences and don't require a formal hearing.</p> <p><b>B2: Operate a timely and efficient appeals program</b></p> <p><u>Target #1:</u> Issue 100% of decisions within 90 days of hearing</p> <p><u>Measure #1:</u> Number of decisions issued within 90 days of hearing</p>
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End Result	Strategies to Achieve End Result
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<p><b>C: More Alaskans Available for Jobs:</b></p> <p><u>Target #1:</u> Requests for reimbursement from the Fishermen's Fund will be paid within 20 days of receipt.</p> <p><u>Measure #1:</u> The number of days between the receipt of a Fishermen's Fund claim and payment.</p> <p><u>Target #2:</u> 20% of injured workers' eligible for reemployment benefits complete a viable retraining plan.</p> <p><u>Measure #2:</u> Percent of injured workers, who are eligible for reemployment benefits, who complete a retraining plan.</p>	<p><b>C1: Reduce length of time it takes to get Fishermen's Fund Council's approval of claims.</b></p> <p><u>Target #1:</u> Reduce number of days it takes to get Council's approval of claims by 25%.</p> <p><u>Measure #1:</u> Number of days to get Council's approval of claims.</p> <p><b>C2: Reduce the number of training plans that need to be returned to the rehabilitation specialists for revisions.</b></p> <p><u>Target #1:</u> Reduce the number of retraining plans that are returned to the rehabilitation specialists by 20%.</p> <p><u>Measure #1:</u> Percent of retraining plans returned to the rehabilitation specialists.</p> <p><b>C3: Quarterly review of status of cases pending with rehabilitation specialists.</b></p> <p><u>Target #1:</u> Review of all pending retraining plans will be performed quarterly.</p> <p><u>Measure #1:</u> Number of retraining plans reviewed each quarter.</p>
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**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.

**FY2009 Resources Allocated to Achieve Results**

**FY2009 Results Delivery Unit Budget: \$11,197,800**

**Personnel:**

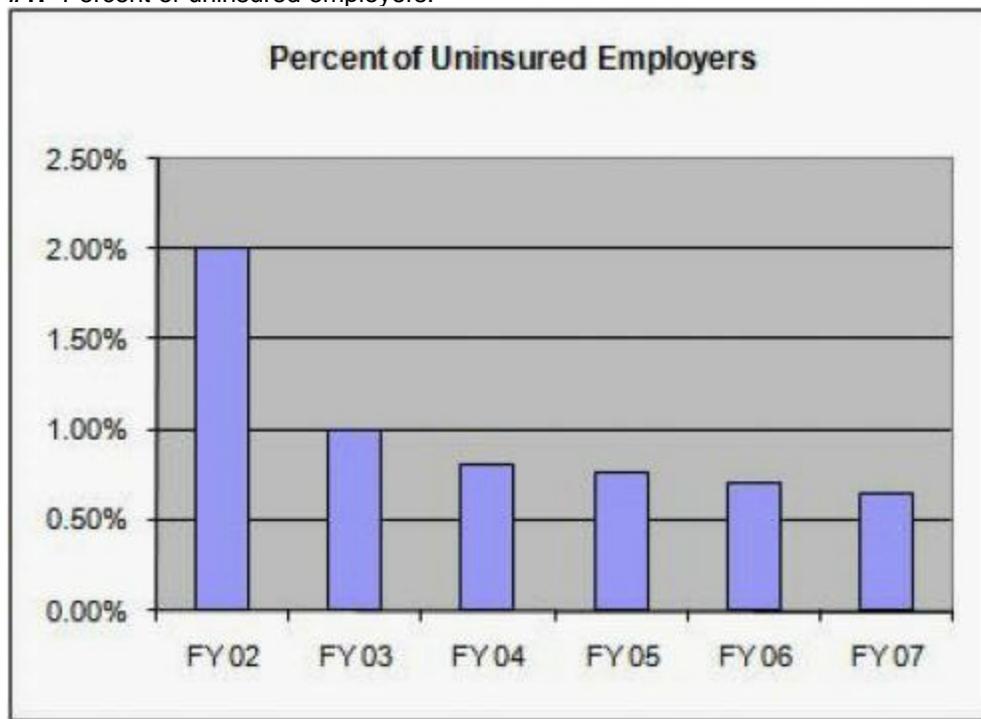
Full time	54
Part time	1
<b>Total</b>	<b>55</b>

**Performance Measure Detail**

**A: Result - All employers comply with AS 23.30, the Alaska Workers' Compensation Act**

**Target #1:** Zero uninsured employers.

**Measure #1:** Percent of uninsured employers.

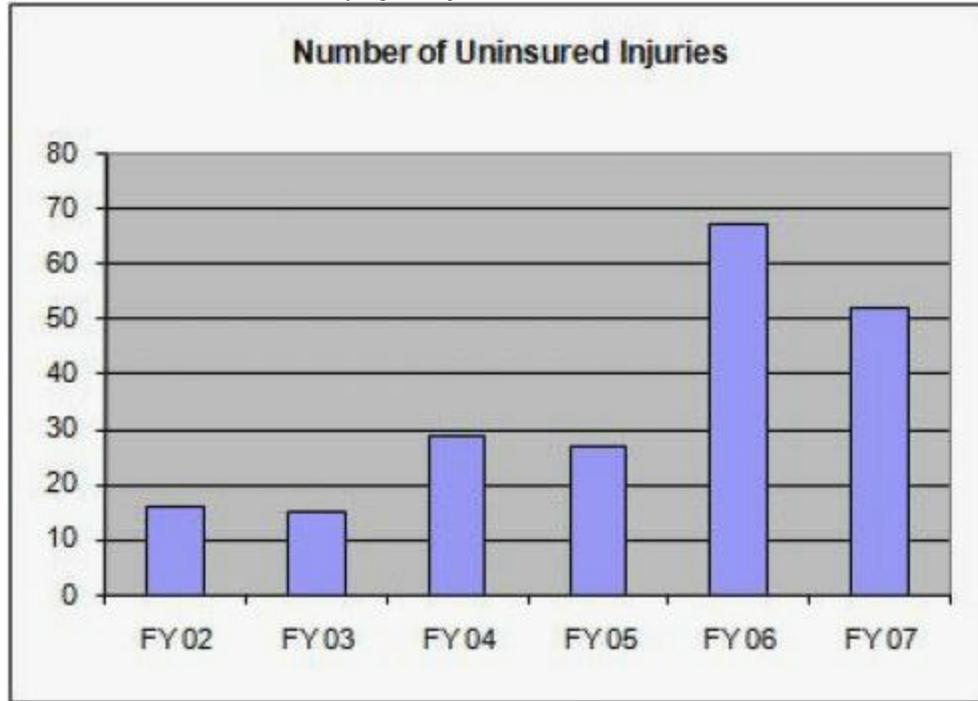


**Analysis of results and challenges:** The target for this measurement is zero uninsured employers. This target is set at zero because the law requires all employers to cover their employees under the Workers' Compensation Act. The percent of employers who were found to be uninsured has markedly declined since 2002. With the institution of a full fraud investigation section at the end of FY 06, the division is no longer limited to a single investigator to review notices of cancelled or expired Workers' Compensation insurance policies to verify if they have been replaced or renewed.

In FY 07 the Fraud Investigation section was able to expand their search for uninsured employers using on-site visits, information from informants, searching newspapers, etc. (in addition to reviewing the database of cancelled workers' compensation insurance policies). SB 130 amended the law (effective 11/05) to allow the Workers' Compensation Board to access penalties against employers for failure to insure. The fraud investigation section compiled files on employers and Board hearings were held on 95 of those cases resulting in penalties assessed against 67 employers for failure to insure their workers.

**Target #2:** Zero uninsured employee injuries.

**Measure #2:** Number of uninsured employee injuries.



**Number & Percent of Uninsured Injuries to Total Workforce**

Fiscal Year	Injuries	Workforce	YTD
FY 2002	16	275,476	.0058%
FY 2003	15	283,444	.0053%
FY 2004	29	282,400	.0103%
FY 2005	27	287,707	.0094%
FY 2006	67	294,744	.0227%
FY 2007	52	301,900	.0172%

**Analysis of results and challenges:** The number of uninsured injuries decreased slightly in FY 07. Our increased presence reviewing coverage data and on-site visits seems to have reduced the number of uninsured employers, simultaneously reducing the number of uninsured injuries reported.

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

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

**Measure #1:** Number of employers reviewed that cancelled their workers' compensation insurance policy or had their policy expire.

**Number of Cancelled Policies Reviewed**

Fiscal Year	YTD
FY 2003	4,470
FY 2004	3,895
FY 2005	3,620
FY 2006	2,400
FY 2007	3,409

**Analysis of results and challenges:** The division reviewed 3,409 cancelled policies in FY 07 and an additional 577 were reviewed based on on-site visits, information from informants, searching newspapers, etc. Files are opened on all cases where an employer cannot provide proof of current coverage, unless they can verify they are no longer using employees or have gone out of business. In FY 07, 641 cases were opened. Those businesses that do not supply satisfactory evidence of coverage or of no longer needing coverage are brought before the Workers' Compensation Board. A total of 95 cases were brought before the Board in FY 07; many are still pending awaiting additional information and will be brought before the Board as necessary.

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

**Measure #2:** Number of employers discovered and brought into compliance.

#### Number of Employers Brought into Compliance with Workers' Compensation Act

Fiscal Year	YTD
FY 2002	129
FY 2003	189
FY 2004	158
FY 2005	141
FY 2006	146
FY 2007	126

**Analysis of results and challenges:** FY 07 marked the first year the Division had a fully staffed fraud investigation section to conduct investigations, bring actions against uninsured employers before the Workers' Compensation Board, and present evidence and testimony which can lead to stop orders, fines, and criminal prosecution through the Department of Law.

The increased staff allowed us to expand the methods of locating businesses that don't provide workers' compensation insurance for their employees. Almost 600 businesses were reviewed using information from informants, on-site visits and monitoring new businesses through newspapers. We attribute the declining numbers of employers discovered to the increased detection efforts and program visibility having the desired effect of deterring businesses from operating without the required insurance coverage.

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

**Target #1:** Parties will have hearing scheduled within 90 days of notice of readiness.

**Measure #1:** Number of days it takes from request of workers' compensation hearing to date of hearing.

#### Number of Days Between Request for Hearing & Hearing Date

Fiscal Year	YTD
FY 2002	175
FY 2003	90
FY 2004	90
FY 2005	117
FY 2006	100
FY 2007	89

**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 conference must be held within 30 days to set a hearing. If the hearing is scheduled within 60 days from the prehearing conference, 90 days to set a hearing from the date of request is usually reasonable.

We were able to meet our 90-day goal in FY 07.

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

**Measure #2:** Percent of written decisions issued within 30 days.

#### Percent of Written Decisions Issued in 30 Days

Fiscal Year	YTD
FY 2005	92.2%
FY 2006	98.8%
FY 2007	94.4%

**Analysis of results and challenges:** FY05 established the baseline for this target. The Workers' Compensation Board hears claims regarding disputes of entitlement to benefits under the Workers' Compensation Act. After the hearing the division has 30 days to complete its work and write a formal decision and order based on the Board's determination. Those determinations will either allow or disallow an injured worker various benefits under the Workers' Compensation Act. In FY 07 we saw a slight decrease in the number of decisions written within the 30 days as we experienced an increase in the number of hearings held which impacted our ability to issue decisions.

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

**Measure #3:** Open caseload at the end of the reporting period

#### Appeals Commission

Fiscal Year	# received	# decisions	# open
FY 2006	26	13	13
FY 2007	48	26	35

*The Commission was sworn in on 11/23/05. Data for FY 06 is for a partial year.*

**Analysis of results and challenges:** The average clearance time (from filing an appeal to final order of the Commission) for all cases filed in calendar year 2006 was 296 days. The Commission believes they will be able to 'close' approximately 96% of their cases within 12 months of filing an appeal.

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

**Target #1:** Settle disputed issues whenever possible during prehearing conferences.

**Measure #1:** The number of disputed issues that are settled at prehearing conferences and don't require a formal hearing.

#### Number of Disputed Issues Settled & Resolved

Fiscal Year	# Prehearings	# Settled	% Settled
FY 2001	2,582	636	25%
FY 2002	2,785	630	23%
FY 2003	2,600	818	31%
FY 2004	2,695	811	30%
FY 2005	2,830	1,165	41%
FY 2006	2,213	1,049	47%
FY 2007	2,320	1,056	46%

**Analysis of results and challenges:** A number of issues are settled or otherwise resolved prior to a hearing. It is the goal of the division to assist parties to reach agreement on issues prior to the need for a formal hearing allowing for speedier resolutions of issues. The number of issues settled without the need of a formal hearing has been fairly consistent the last two years.

**B2: Strategy - Operate a timely and efficient appeals program**

**Target #1:** Issue 100% of decisions within 90 days of hearing

**Measure #1:** Number of decisions issued within 90 days of hearing

**Number of Decisions Written by the Commission**

Year	# of Decisions Written	Ave # days
2006	13	25
2007	26	55

**Analysis of results and challenges:** The Workers' Compensation Appeals Commission has seen their workload double but has managed to maintain an average decision time of 55 days of the cases filed with them. In addition to writing decisions within two months of the hearing, the Commission has been able to close 96% of all cases filed with the Commission within 12 months of receiving the case.

**C: Result - More Alaskans Available for Jobs:**

**Target #1:** Requests for reimbursement from the Fishermen's Fund will be paid within 20 days of receipt.

**Measure #1:** The number of days between the receipt of a Fishermen's Fund claim and payment.

**Number of Days to Pay Claim**

Fiscal Year	# of days	# of claims paid
FY 2002	42	810
FY 2003	36	696
FY 2004	33	814
FY 2005	35	807
FY 2006	17	781
FY 2007	20	686

**Analysis of results and challenges:** The measurement for this target is the number of days between the filing of a Fishermen's Fund claim and the date of payment. The goal is to pay claims within 20 days. Ensuring providers are paid promptly will allow fishermen to receive treatment and they will not neglect care from a lack of funds. This will aid a fisherman's recovery so they can return to work as soon as possible.

The Fishermen's Fund claims management computer system was implemented in 2005 and allows us to reduce the length of time it takes to process claims. The number of days increased slightly from FY 06 but we were still able to meet our target in FY 07.

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

**Measure #2:** Percent of injured workers, who are eligible for reemployment benefits, who complete a retraining plan.

**Percent of Eligible Workers Completing a Retraining Plan**

Fiscal Year	# Eligible	# Completing Plan	% Completing
FY 2001	430	15	3.5%
FY 2002	457	25	5.5%
FY 2003	414	16	3.9%
FY 2004	420	18	4.3%
FY 2005	343	37	10.8%
FY 2006	298	56	18.8%
FY 2007	286	61	21.3%

**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.

The division set a target participation level of 20% and met that goal in FY 07. In a follow-up survey we discovered 61% of participants had found work in their field of retraining or in a related field.

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

**Target #1:** Reduce number of days it takes to get Council's approval of claims by 25%.

**Measure #1:** Number of days to get Council's approval of claims.

#### Average Number of Days to get Fishermen's Fund Council's Approval

Year	YTD
2004	235
2005	165
2006	98
2007	115

**Analysis of results and challenges:** Approximately 10% of claims need to be approved by the Fishermen's Fund Council before they can be paid. In the past these delays have been considerable as the Council met only twice a year. Work to develop a secure website that will allow the Council to meet over the web, review the files and make determinations on a more frequent basis has been delayed due to data processing staffing issues. However, we were able to make several decisions throughout the year using email. The goal is to get the average number of days down to approximately 75.

### C2: Strategy - Reduce the number of training plans that need to be returned to the rehabilitation specialists for revisions.

**Target #1:** Reduce the number of retraining plans that are returned to the rehabilitation specialists by 20%.

**Measure #1:** Percent of retraining plans returned to the rehabilitation specialists.

#### Percent of Retraining Plans Returned to Specialists

Fiscal Year	# Plans Submitted	# of Plans Returned	Percent Returned
FY 2005	105	47	45%
FY 2006	76	44	57%
FY 2007	72	41	57%

2005 established the baseline.

**Analysis of results and challenges:** Many retraining plans need to be returned to the rehabilitation specialists because the plans do not meet the requirements of the law. The Rehabilitation Benefits Administrator has held monthly meetings with the rehabilitation specialists in the Anchorage area. However, due to a lack of staffing we were unable to develop an electronic newsletter which will be used to provide information on how the rehabilitation specialists can improve their initial submissions. Because the faster an injured worker begins a retraining plan, the better chance they have of successfully completing the plan and returning to work, we will continue to work on developing a newsletter to train rehabilitation specialists on the requirements for rehabilitation plans under the workers' compensation act. The goal is to reduce the returned plans to approximately 10%.

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

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

**Measure #1:** Number of retraining plans reviewed each quarter.

**Analysis of results and challenges:** This is a new measure. It was our intent to hire an additional employee in the Rehabilitation section to aid with this measure. Although the position was filled in December 2006, it was necessary to transfer the employee to the adjudication section due to a serious employee shortage in that section and action on this measure wasn't able to be taken in FY 07. We believe this strategy will aid in the completion of retraining plans, thereby getting injured workers back to work, and so will work towards its implementation during FY 08.

## Key RDU Challenges

With a year's experience of assessing penalties under the new law for failure to insure under the Workers' Compensation (WC) Act, the WC Board passed a resolution asking the division to develop procedures to handle some of these cases without going to the Board. Based on the decisions made by the WC Board over the last year, the division will develop procedures for assessing penalties for failure to provide workers' compensation insurance coverage.

Reduce the workload of the adjudications section that has been created by the fraud investigation section. The fraud investigation section has increased the number of cases filed for Board review by over 30%.

## Significant Changes in Results to be Delivered in FY2009

The requested authorization increase of \$200.0 from the Workers Compensation Benefits Guaranty Fund will allow us to utilize penalty receipts that have been collected to increase the number of injured clients who receive benefits.

Reduce the length of time it takes to issue a WC Board Decision and Order.

## Major RDU Accomplishments in 2007

The first payment under the Benefits Guaranty Fund was made at the end of the fiscal year. Almost \$250,000 in penalties was collected and deposited into the fund.

The second and third phases of our electronic data interface (EDI) project were completed. We are ready to begin testing the online submission of reports of injury and compensation reports.

### Contact Information

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

*All dollars shown in thousands*

	FY2007 Actuals				FY2008 Management Plan				FY2009 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	3.3	0.0	4,088.2	4,091.5	3.3	0.0	4,628.3	4,631.6	3.3	0.0	4,821.9	4,825.2
Workers Comp Appeals Comm	0.0	0.0	441.7	441.7	0.0	0.0	524.2	524.2	0.0	0.0	532.3	532.3
WC Benefits Guaranty Fund	0.0	0.0	10.4	10.4	0.0	0.0	50.0	50.0	0.0	0.0	250.0	250.0
Second Injury Fund	0.2	0.0	2,899.2	2,899.4	0.2	0.0	3,962.0	3,962.2	0.2	0.0	3,967.6	3,967.8
Fishermens Fund	0.0	0.0	1,103.3	1,103.3	0.0	0.0	1,614.9	1,614.9	0.0	0.0	1,622.5	1,622.5
<b>Totals</b>	<b>3.5</b>	<b>0.0</b>	<b>8,542.8</b>	<b>8,546.3</b>	<b>3.5</b>	<b>0.0</b>	<b>10,779.4</b>	<b>10,782.9</b>	<b>3.5</b>	<b>0.0</b>	<b>11,194.3</b>	<b>11,197.8</b>

**Workers' Compensation  
Summary of RDU Budget Changes by Component  
From FY2008 Management Plan to FY2009 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2008 Management Plan</b>	<b>3.5</b>	<b>0.0</b>	<b>10,779.4</b>	<b>10,782.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Workers' Compensation	0.0	0.0	193.6	193.6
-Workers Comp Appeals Comm	0.0	0.0	8.1	8.1
-Second Injury Fund	0.0	0.0	5.6	5.6
-Fishermens Fund	0.0	0.0	7.6	7.6
<b>Proposed budget increases:</b>				
-WC Benefits Guaranty Fund	0.0	0.0	200.0	200.0
<b>FY2009 Governor</b>	<b>3.5</b>	<b>0.0</b>	<b>11,194.3</b>	<b>11,197.8</b>