

# **State of Alaska FY2012 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.

### Core Services

- Assure availability of workers' compensation benefits through compliance investigation of insured employers and financial responsibility assessment of self-insured employers.
- Provide public information, informal and formal dispute resolution services, and first-level appellate review of disputed benefits claims.
- Administer three Funds that assist injured employees of illegally uninsured employers, injured commercial fishers, and permanently disabled workers.

### Results at a Glance

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

#### END RESULT A: All employers comply with AS 23.30, the Alaska Workers' Compensation Act

- There were 46 uninsured employers found in FY2010 exceeding the target of zero uninsured employers.
- There were 17 uninsured Injuries in FY2010; exceeding the target of zero uninsured injuries.

##### Status of Strategies to Achieve End Result

- There were 4,082 cancelled workers' compensation policies received and 100 percent were reviewed.
- In FY2010, 348 employers were brought into compliance with the Workers' Compensation Act compared to 326 in FY2009 and 153 in FY2008.

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

- The average wait time for a hearing was 79 days. The target of 90 days was met.
- 70 percent of written decisions were issued within 30 days. This missed the target for FY2010 of 100 percent. Work assignments have been revised and the division is back on track with decisions consistently issued within 30 days of the record closing.
- At the end of FY2010, 24 open cases were still on the docket, a decrease of 4 from FY2009.

##### Status of Strategies to Achieve End Result

- 42 percent of disputed issues were resolved in prehearing conferences.
- In FY2010, 29 percent of the decisions were not made within 90 days. The target is to have 100 percent of decisions made within 90 days of hearing.

#### END RESULT C: More Alaskans Available for Jobs:

- In FY2010, the number of claims filed with the Fishermen's Fund totaled 631, with 492 payments issued. The average time from receipt of a bill to bill payment was 63 days. This was primarily due to a complete turnover in staff. The target is 20 days, and the FY2009 performance level was 28 days.
- The target of 20 percent of injured workers' eligible for reemployment benefits completing a viable retraining plan was not met at 14.7 percent.

##### Status of Strategies to Achieve End Result

- In FY2010, there were 698 claims filed against the Fishermen's Fund. Of these claims, 88 cases were sent to the Fishermen's Fund Advisory & Appeals Council. The average lag time was 72 days, compared to 54 days in FY2009. The increase in lag time was primarily due to moving the Spring Fishermen's Fund Council meeting from April to May coupled with inadequate follow-up on incomplete claims. The Fund Administrator will emphasize training, follow-up, and implement several IT changes.
- The target to reduce the percentage of retraining plans returned by 20 percent was not met in relation to the prior year or to the baseline year of FY2005. The percentage of returned retraining plans was 17 percent this year which was the approximate goal for FY2009. Approximately 14 percent was the goal for FY2010.
- The target to review all pending retraining plans quarterly was not met during FY2010 due to ongoing

regulatory revisions that were needed, some of which were finally implemented.

### 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.

### Key RDU Challenges

The current Workers' Compensation data processing system is outdated and reaching the end of its lifecycle and maintenance support from Microsoft. A complete rewrite and upgrade of the system is needed to ensure data integrity is maintained. The division received an FY2010 capital appropriation of \$3,092.2 funded from the Workers Safety Account to cover the costs of the system upgrade.

Due to the number of claims being opened and an increase in the number of filings submitted by parties, Workers' Compensation is experiencing a backlog in paperwork, including reports of injury. The division has restructured work assignments to address the backlog.

Last year the division issued \$455,609 in civil fines. In addition, the Workers' Compensation Benefits Guaranty Fund has assessed \$3,027,017 in penalties. Of these amounts, only \$1.5 million (approximately 46 percent) has been recovered. The division is exploring options to expedite collections.

### Significant Changes in Results to be Delivered in FY2012

No significant changes in results are anticipated.

### Major RDU Accomplishments in 2010

In response to the Alaska Supreme Court decision, *Bohlmann v. Alaska Construction & Engineering, Inc.* the division went through a restructuring of workers' compensation claims processing. This restructuring took prehearing functions from non-attorney employees, and placed the responsibility on Workers' Compensation Hearing Officers. In FY2010 this change was reviewed and a determination was made to return to the previous process for handling claims, which allows faster service time to clients.

The Alaska Workers' Compensation Appeals Commission's volunteer summer law internship in cooperation with the Alaska Labor Relations Agency attracted two (2) more summer law interns, who received six (6) weeks of intensive training. The tri-agency externship (Appeals Commission, Labor Relations Agency & Office of Administrative Hearings) obtained accreditation as a "judicial/labor law externship" through Seattle University School of Law.

### Contact Information

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

*All dollars shown in thousands*

	FY2010 Actuals				FY2011 Management Plan				FY2012 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	4,845.1	0.0	0.0	4,845.1	5,295.0	0.0	0.0	5,295.0	5,460.2	0.0	0.0	5,460.2
Workers Comp Appeals Comm	530.1	0.0	0.0	530.1	561.2	0.0	0.0	561.2	571.9	0.0	0.0	571.9
WC Benefits Guaranty Fund	329.5	0.0	0.0	329.5	280.0	0.0	0.0	280.0	280.0	0.0	0.0	280.0
Second Injury Fund	3,599.6	0.0	0.0	3,599.6	3,985.9	0.0	0.0	3,985.9	3,994.6	0.0	0.0	3,994.6
Fishermens Fund	887.4	0.0	0.0	887.4	1,626.2	0.0	0.0	1,626.2	1,637.0	0.0	0.0	1,637.0
<b>Totals</b>	<b>10,191.7</b>	<b>0.0</b>	<b>0.0</b>	<b>10,191.7</b>	<b>11,748.3</b>	<b>0.0</b>	<b>0.0</b>	<b>11,748.3</b>	<b>11,943.7</b>	<b>0.0</b>	<b>0.0</b>	<b>11,943.7</b>

**Workers' Compensation**  
**Summary of RDU Budget Changes by Component**  
**From FY2011 Management Plan to FY2012 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>FY2011 Management Plan</b>	<b>3.5</b>	<b>11,744.8</b>	<b>0.0</b>	<b>0.0</b>	<b>11,748.3</b>
<b>Adjustments which will continue current level of service:</b>					
-Workers' Compensation	0.0	165.2	0.0	0.0	165.2
-Workers Comp Appeals Comm	0.0	10.7	0.0	0.0	10.7
-Second Injury Fund	-0.2	8.9	0.0	0.0	8.7
-Fishermens Fund	0.0	10.8	0.0	0.0	10.8
<b>FY2012 Governor</b>	<b>3.3</b>	<b>11,940.4</b>	<b>0.0</b>	<b>0.0</b>	<b>11,943.7</b>