

FISCAL YEAR 2001 SEMI-ANNUAL PROGRAM PERFORMANCE MEASURES

October - March

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**PROGRAM MISSION**

The mission of the Funds Administration is to provide timely determinations of carrier and employee=s rights to benefits or reimbursements, and make payments due in a timely and accurate manner.

**PROGRAM STATEMENT**

The Funds Administration, consisting of the Second Injury Fund; the Silicosis, Dust Disease and Logging Industry Compensation Fund; and Self-Insurers= Security Fund, is managed by a board of three trustees. Two trustees are appointed by the Governor with the advice and consent of the Senate. One represents employers to act as self-insurers in Michigan and the second represents the insurance industry. The third trustee is the director of the Bureau of Workers= Disability Compensation.

The Funds Administration is also responsible for the administration of a work project, the Uninsured Employers=Security Fund. The rights and liabilities of this fund is found in MCLA 418.532.

**I. Second Injury Fund**

The Second Injury Fund has five distinct responsibilities under the Workers=Disability Compensation Act.

A. Total and Permanent Disability benefits are provided to individuals who meet the definition of total and permanent disability under the terms of the Workers=Disability Compensation Act.

1. Loss of sight in both eyes
2. Loss of both legs or both feet
3. Loss of both arms or both hands
4. Loss of any two of the above
5. Paralysis of both legs or both arms or one leg and one arm
6. Incurable insanity or imbecility
7. Industrial loss of both legs, both hands, both arms, or one leg and one arm

The injured employee is paid the workers=disability compensation benefit in effect on the date of injury or by the employer and the Second Injury Fund pays additional weekly benefits provided by the Workers=Disability Compensation Act.

B. Hire the Handicapped Provisions of the Second Injury Fund.

This program encourages Michigan employers to hire individuals with medically identifiable impairments of the back or heart, or who are subject to epilepsy or diabetes when these impairments cause a substantial obstacle to employment. In the event of a work-related injury, the Second Injury Fund will either reimburse or pay direct workers=compensation benefit obligations beyond 52 weeks after the date of injury when all provisions of Chapter 9 have been met. Second Injury Fund is also responsible for vocational rehabilitation costs from the date of injury.

C. Dual Employment Provisions of the Second Injury Fund.

An injured employee, engaged in more than one employment at the time of injury is paid weekly benefits commensurate with wages earned in all employments covered by the Michigan Workers=Disability Compensation Act. If the employment which causes the personal injury or date provides 80% or less of the employee=s cumulative average weekly wage at time of injury or death, the insurer or self-insurer is liable for that portion of the employee=s weekly benefit that bears the same ratio to the total weekly benefits due as the average weekly wage from the employment which caused the injury or death bears to the total weekly wage. The Second Injury Fund is separately but dependently liable for the remainder of the weekly benefits and reimburses the insurance company or self-insured employer.

D. 70% Provisions of the Second Injury Fund.

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Defendants who appeal an open award by a workers=disability compensation magistrate must pay 70% of the awarded weekly compensation benefits while the case is on appeal. If the award of benefits is later rescinded or reduced by final determination, excess weekly benefit payments are reimbursable from the Second Injury Fund.

E. Two Years Continuous Disability Provisions of Second Injury Fund.

This statute provides that if a person is injured on or after January 1, 1982, and at time of personal injury is entitled to a compensation rate that is less than 50% the State average weekly wage, after two years of continuous disability, the employee may petition for an increase in the rate of compensation. The employee may present evidence, that by virtue of the employee's age, education, training, experience or other documented evidence, the employee's earnings would have been expected to increase. A magistrate may order an adjustment of the compensation rate up to 50% of the State's average weekly wage for the year in which the employee's injury occurred. The amount of the adjustment to the compensation rate is reimbursable by the Second Injury Fund.

Reimbursement of medical benefits is a program administered within the Funds Administration Division of the bureau. The staff of the Second Injury Fund is responsible to administer all reimbursement applications for payments made in accordance with the provisions of Section 418.862(2) of the Workers=Disability Compensation Act. The objective of this program is to administer and provide reimbursement to the carrier or self-insurer for medical benefits paid to the claimant between the date of the magistrate's award and the date of the final determination of the appeal. If the final determination of the appeal has reversed the medical benefit awarded in the magistrate's decision, then reimbursement for payments would be processed and administered by the bureau and paid from the general fund of the state. Once the final appeal process has been completed, the bureau is required to provide a thorough review of any application for reimbursement submitted by the carrier or self-insurer. The staff must examine copies of the original medical bills and all final decisions (magistrate or appellate orders) to determine that reimbursement for medical costs is appropriate. After ensuring specific criteria and provisions of Section 862(2) are met, then the reimbursement application is processed by the program staff and the department's finance division.

II. Silicosis, Dust Disease and Logging Industry Compensation Fund

This fund has three separate types of responsibilities:

- A. Silicosis and Dust Disease Fund. This fund reimburses insurance companies or self-insured employers who pay weekly workers=compensation benefits to individuals who are disabled or die from silicosis or other dust diseases.
- B. Logging Industry Compensation Fund. This fund reimburses insurance companies or self-insured employers who pay weekly workers=compensation benefits to individuals who sustained personal injury or death while being employed in the logging industry, specifically employment described in the workers=compensation and employers liability insurance manual entitled, Logging or lumbering and drivers code no. 2702.
- C. PBB Provisions. The Fund reimburses insurance companies or self-insured employers who pay weekly benefits as a result of disability or death caused by, contributed to, or aggravated by exposure to polybrominated biphenyl (PBB) if exposure occurred before July 24, 1979, by an employer located in Michigan engaged in the manufacture of PBB.

For claims with dates of injury from May 1, 1966 through June 30, 1985, reimbursement occurs after the employee has been paid in excess of \$12,500. Claims with dates of injury on or after July 1, 1985, insurance companies and self-insured employers will have to pay \$25,000, or 104 weeks of benefits, whichever is greater, before reimbursement is due.

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**III. Self-Insurers=Security Fund**

The Self-Insurers=Security Fund provides workers=compensation benefits to employees of bankrupt self-insured employers who become insolvent after November 15, 1971. If a private self-insured employer becomes insolvent, payments are made from the Self-Insurers=Security Fund when three conditions are met: 1) the private self-insured employer is insolvent, 2) employee requests payment of benefits from the Funds Administrator or files a petition with the Bureau of Workers=Disability Compensation and 3) the insolvent private self-insured employer is unable to continue payments.

**PROGRAM GOALS/OBJECTIVES**

**Program Goals**

- Make payments due in a timely manner.
- To be actively involved in all claims brought against the funds administration.

**Program Objectives**

- Process 100% of reimbursements to carriers and self-insurers within 30 days from receipt of request for reimbursement and verification that payment is due.
- Process 100% of medical payments within 27 days.
- Process 100% of first payments within 27 days to recipients entitled to workers=compensation benefits.
- Investigate, analyze, deny or litigate those claims brought against the Funds Administration.

**CUSTOMER IDENTIFICATION**

Employees, Insurance Companies, Self-Insurers

**FUND SOURCE**

All money used to operate Funds Administration comes from assessments against the total compensation payments and redemptions, exclusive of medical, funeral, and rehabilitation benefits paid by insurance companies and self-insured employers. Each fund makes a separate assessment.

Second Injury Fund

Silicosis, Dust Disease and Logging Industry Compensation Fund

Self Insurers=Security Fund

**LEGAL BASIS**

P.A. 317 of 1969, as amended

**PROGRAM EFFECTIVENESS**

**Program Outputs/Outcomes**

See attached chart

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**Performance Measures**

- Number of reimbursements processed timely
- Number of medical payments processed timely
- Number of first payments processed timely

**Program Improvement Plans**

- Upgrade the Funds Administration Information System (FAIS) to PowerBuilder 6.5 from Power Builder 5.0. Migrate system design and all supporting software applications to support PowerBuilder 6.5 environment.
- Completely retest the FAIS application prior to implementation of the upgraded product.
- Have extended the contract with the lead developer of FAIS through the end of this fiscal year for consulting services in support of our migration efforts.
- Extended contract through July 20, 2001, with our in-house third party contractor to coordinate the migration effort.
- Continuing to provide enhancements to FAIS and our Cash Receipt System (CRS) in response to user requests.
- Investigate feasibility for workers' compensation carriers supplying us with Form 112, Application for Reimbursement, electronically.

**Program Improvements Made**

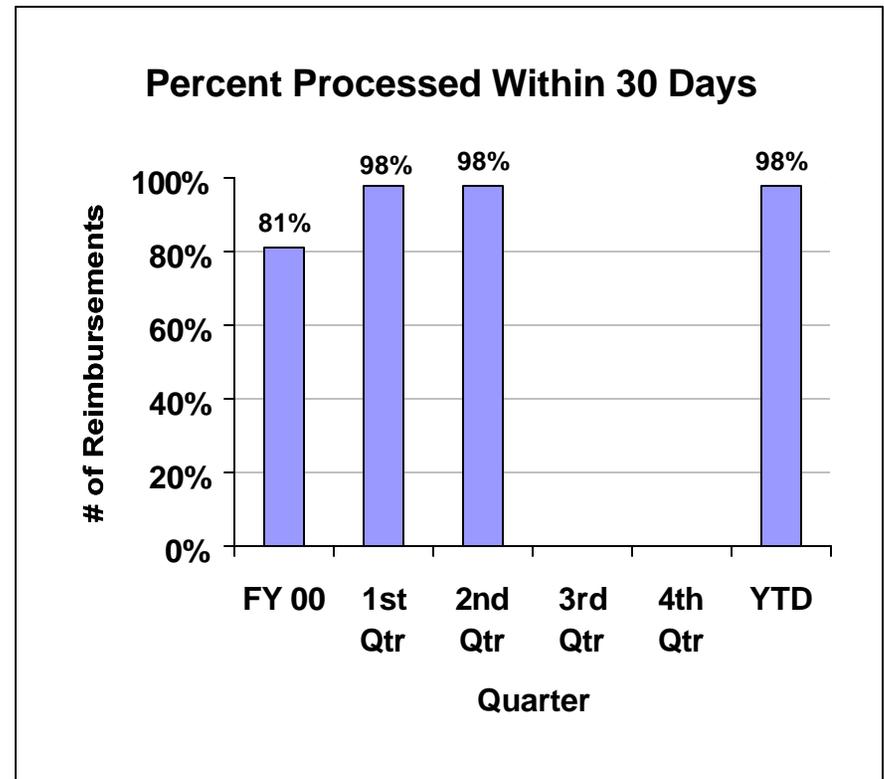
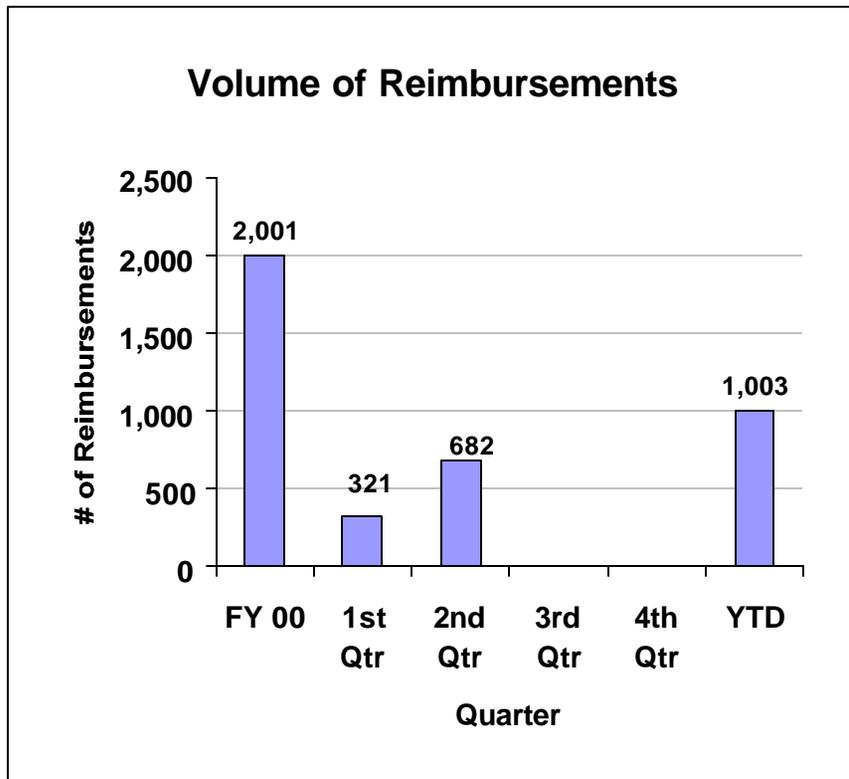
- Cash Receipt System has been upgraded from utilizing Microsoft Access 2.0 to Microsoft Access 2000 and will be moving into production in April, 2001.
- Over 60 specific enhancements have been made to the Funds Administration Information System during the past months, tested, validated, and moved into the production version of FAIS.
- A full time support person has been assigned to our project from the Office of Technology Resources.

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- Goal:** Make payments due in a timely manner.
- Objective:** Process 100% of reimbursements to carriers and self-insurers within 30 days of receipt of request and verification that payment is due.
- Output:** Number of reimbursements processed.
- Effectiveness:** Percent processed within 30 days.
- Outcome:** 98% of the reimbursements were processed within 30 days during the 1<sup>st</sup> half of FY 2001.

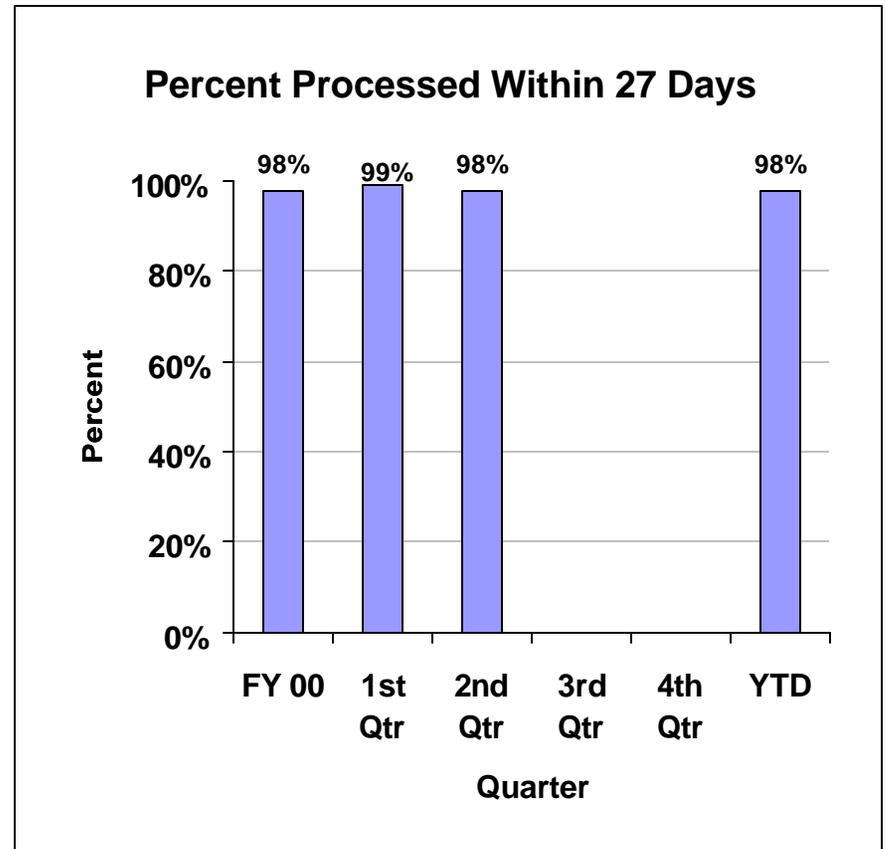
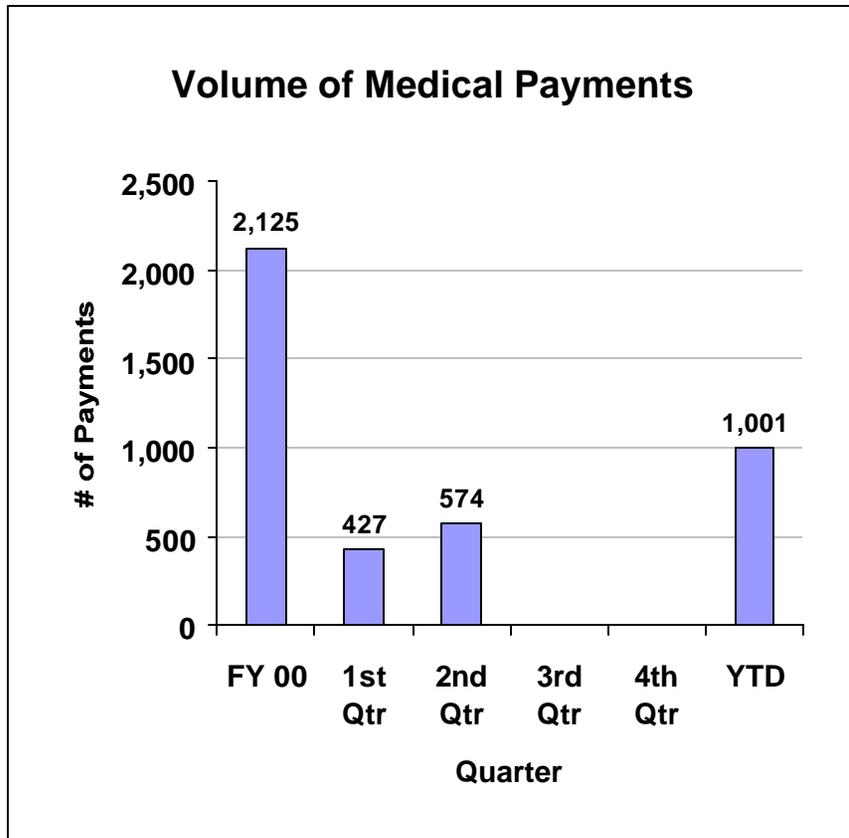


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- Goal:** Make payments due in a timely manner.
- Objective:** Process 100% of medical payments within 27 days.
- Output:** Number of medical payments processed.
- Effectiveness:** Percent made within 27 days.
- Outcome:** 98% of medical payments were made within 27 days during the 1<sup>st</sup> half of FY 2001.



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**Goal:** Make payments due in a timely manner.

**Objective:** Process 100% of first payments within 27 days to recipients entitled to workers=compensation benefits.

**Output:** Number of first payments made.

**Effectiveness:** Percent of first payments made within 27 days.

**Outcome:** During the 1<sup>st</sup> half of FY 2001, 99% of the first payments were made timely (within 27 days).

