

FY 2010 Annual Program Performance Measures

DEPARTMENT: MICHIGAN DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH

APPROPRIATION UNIT: Workers' and Unemployment Compensation **PROGRAM:** Workers' Compensation Programs

TIMELINE: October 1, 2009 through September 30, 2010

PROGRAM MISSION STATEMENT

The mission of the Workers' Compensation Agency is to efficiently administer the Workers' Disability Compensation Act of Michigan, which includes carrier and employer compliance, timely benefit payments, and the prompt and fair adjudication of claims involving Michigan's injured workers.

VISION STATEMENT

The vision of the Workers' Compensation Agency is to provide prompt, courteous and impartial service to all customers with timely and objective administration of their rights and responsibilities under the Workers' Disability Compensation Act.

PROGRAM STATEMENT

The Workers' Compensation Agency has several major statutory requirements for service to Michigan's workers and employers.

The hearing and adjudication systems within the agency consist of the **Mediation** program, the **Board of Magistrates**, and the **Workers Compensation Appellate Commission** appeal process. The statewide hearing system operates with 17 magistrates (14 currently on board), which is 7 fewer than the 24 on board last FY, due to an Executive Order; 4 mediators and 16 clerical staff. When decisions issued by the Agency and Board are disputed and appealed, the Workers' Compensation Appellate Commission's (WCAC) caseload is created. The WCAC operates with 5 commissioners and 6 support staff.

The **Claims Processing Division** provides custody and maintenance of work related injury claim records and supports the mediation and magistrates hearing system. The division operates with 32 total employees. Claims Processing focuses on and satisfies statutory requirements for carrier supplemental benefit reimbursement, rehabilitation issues, custody and maintenance of claims records, agency data technology coordination, and verification of Agency redemption fees. It is the public point of contact for claims issues outside of the hearing system. This division also handles all initial Health Care Service Rule and all initial Vocational Rehabilitation hearings.

The Agency's medical fee cost containment function is performed by the **Health Care Services** staff which currently consists of 2 employees. The Agency administration staff also consists of 2 staff members.

The **Insurance Division** operates with a total of 18 employees. The **Employer Records Section** consists of 11 employees who are dedicated to the custody and maintenance of the insurance carrier proof of insurance and cancellation filings. The **Compliance Section** is managed by 2 employees who are dedicated to employer compliance with the statutory insurance requirements. The **Self-Insured Programs Section** consists of 5 employees who oversee the self-insured employer approval process and monitor and evaluate program clients for compliance with the statute and administrative rules. This section also approves and monitors service companies that provide services to self-insurers.

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The **Funds Administration** consists of the Second Injury Fund, Silicosis, Dust Disease & Logging Industry Compensation Fund, and the Self-Insurers' Security Fund. These funds provide timely determination of carrier and employee rights to benefits or reimbursement and make payments due in a timely and accurate manner. The division operates with 23 positions, and is funded 100% by insurers and self-insured employers with no General Fund appropriations.

Despite reductions in the number of staff, the agency remains vigilant in its responsibilities to deliver quality services to the public in a cost effective manner.

FUND SOURCE:

Workers Compensation Administrative Revolving Fund
State General Funds

LEGAL BASIS:

Workers' Disability Compensation Act of 1969 and Administrative Rules (MCL 418.101 et seq.)
E.R.O. No. 2003-1, Sec. 445.2011; as amended by E.R.O. 2009-53.

CUSTOMER IDENTIFICATION:

Injured employees, insurance carriers, self-insured employers, self-insured group funds, attorneys, claims representatives, medical providers.

CRITICAL GOALS/MAJOR OBJECTIVES and RESULTS

Program Goals

- Ensure that employees that have suffered a work related injury are provided correct wage loss replacement, and medical and vocational rehabilitation services during periods of incapacity, and that these benefits are paid timely and accurately.
- Set and serve applications for hearings in a timely manner.
- Provide leadership to carry out a legislative agenda for more efficient regulation and delivery of workers' compensation benefits.
- Provide an informal dispute resolution process for employers, insurance carriers, health care providers, and injured employees through mediation.
- Monitor medical providers' compliance with health care rules to assure that costs of providing health care services remain reasonable.
- Monitor the financial position of all individual and group self-insurers to assure their ability to meet future payment of benefits on a timely basis.
- Maintain a historical record system for the over 200,000 employers subject to the Workers' Disability Compensation Act.
- Monitor and enforce employers' compliance with the requirements for insurance coverage.

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Processes/Services

- Enforce the laws as stated in the Workers' Disability Compensation Act.
- Provide customer services via telephone, email, internet, teleconference, face-to-face meetings, presentations, and hearings to educate and assist injured workers', employers, insurance carriers, medical care providers, and others regarding workers' compensation.

PROGRAM EFFECTIVENESS and Efficiency (Current Year)

Program Goals/Metrics

See attached examples

Performance Measures

See attached charts

Program Improvements Made

- Electronic Data Interchange (EDI) – 7 more insurance companies began submitting their Proof of Coverage information electronically, bringing the total number of carriers in production to sixteen.
- Self-Insured Programs has taken steps to equitably obtain security from previously unsecured private employer self-insurers to improve the overall strength of the workers' compensation self-insured program in Michigan.
- In order to stay consistent with Medicare, the Health Care Service Rules increased the conversion factor to \$50.70 for 2009 and adopted the Medicare ASC rates times 130% for reimbursement of freestanding surgical outpatient facility (FSOF) services.
- The Workers' Compensation Appellate commission saved significant expense by taking advantage of the availability of electronic research tools, and significantly reducing its hard copy library subscriptions.
- The Vocational Rehabilitation Section updated its pamphlet *Vocational Rehabilitation for Injured Employees*, participated in a job placement survey of all approved providers, and partnered with a doctoral candidate on a research project involving why injured workers settle their claims.
- The Board of Magistrates amended R 418.55 eliminating the need to file certain documents with the agency. This resulted in a reduction of approximately 12,000 pieces of correspondence annually.
- The Funds Administration worked in conjunction with the Compliance and Employer Records Section to collect fines from employers that have allowed their workers' compensation insurance coverage to lapse. As a result, over \$325,000 was collected and paid into the workers' compensation administrative fund.
- The Funds Administration relocated to the General Office Building during FY10. This location centralizes another agency division within the same building, allowing for greater efficiency and functionality.

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PROGRAM IMPROVEMENT PLANS FOR FY11

- Implementation of EDI for the filing of claims forms, and the continued expansion of EDI Proof of Coverage as additional carriers are moved into production. The agency plans to add an additional 35 insurance companies to the electronic data interchange proof of coverage filing process during FY 11.
- Self-Insured Programs computer system originally implemented in 1998 will be upgraded and improved to operate on a supported platform.
- The Vocational Rehabilitation Section will promulgate rule changes to streamline and clarify the role of VR in workers' compensation.
- During Fiscal Year 2011, we shall initiate an upgrade to our Funds Administration Information System. This application, supporting all of our workers' compensation claim expenditures and receivables processing, shall be migrated from PowerBuilder 12 to a new development platform. We also intend to migrate our Cash Receipts System from a Microsoft Access 2003 development environment to a Microsoft Access 2010 development environment.
- Annual maintenance contracts on the agency's digital court recording equipment were reviewed at the end of FY 10. A 45% savings was identified (a savings in excess of \$20,000 annually) by eliminating costly and unnecessary coverage under the maintenance portion of the contracts.

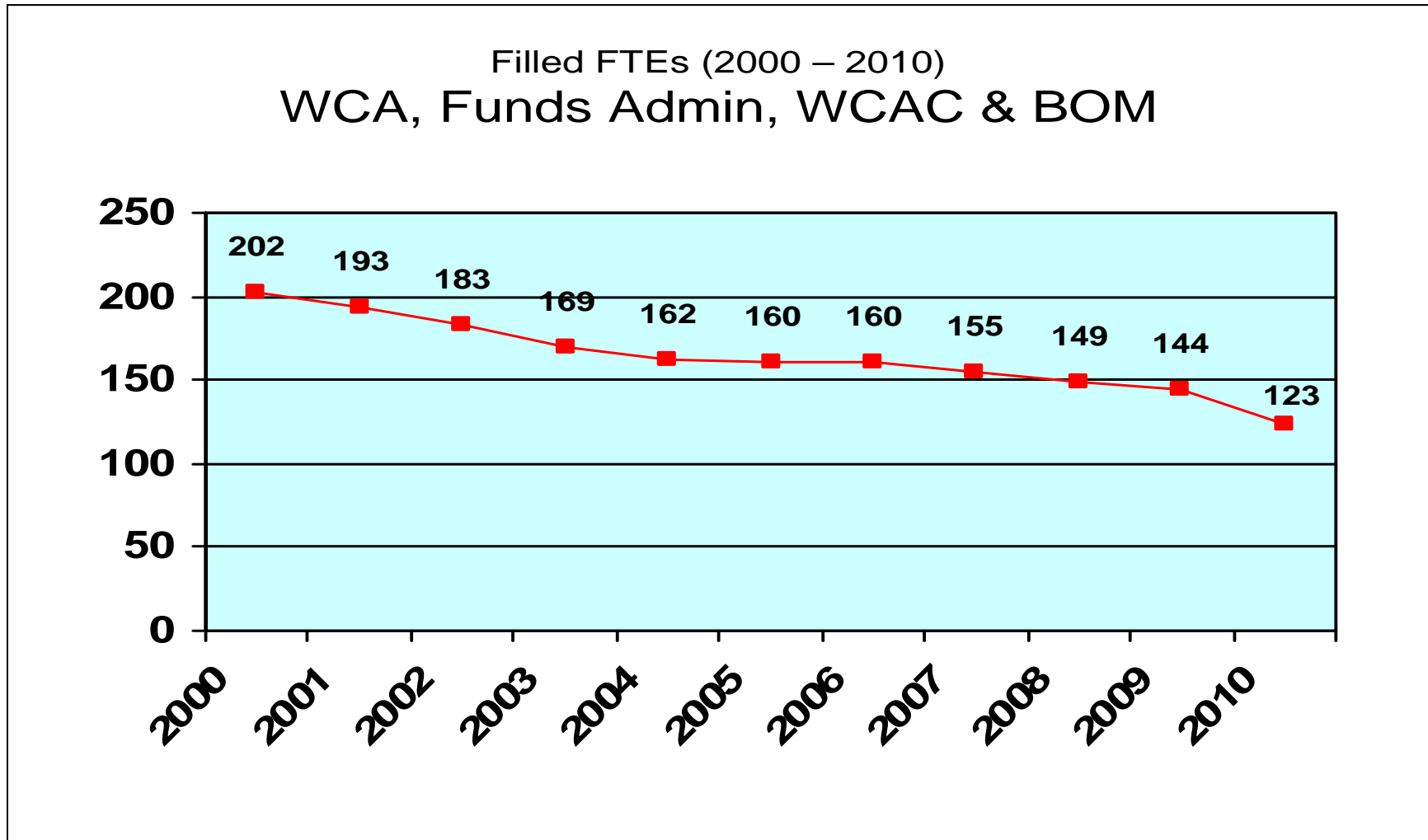
CHALLENGES FOR FY11 and BEYOND

- Litigation is pending before the United States Bankruptcy Court, Southern District of New York and the United States 2nd Circuit on multiple issues surrounding Delphi Corporation and the entity responsible for the payment of workers' compensation obligations. The dispute has two central issues; sovereign immunity and jurisdiction responsible for determining workers' compensation coverage.
- The Workers' Compensation Agency strives to provide efficient service of the highest quality. The biggest challenge continues to be maintaining that standard of service for our customers despite staff reductions and limited resources and funding.

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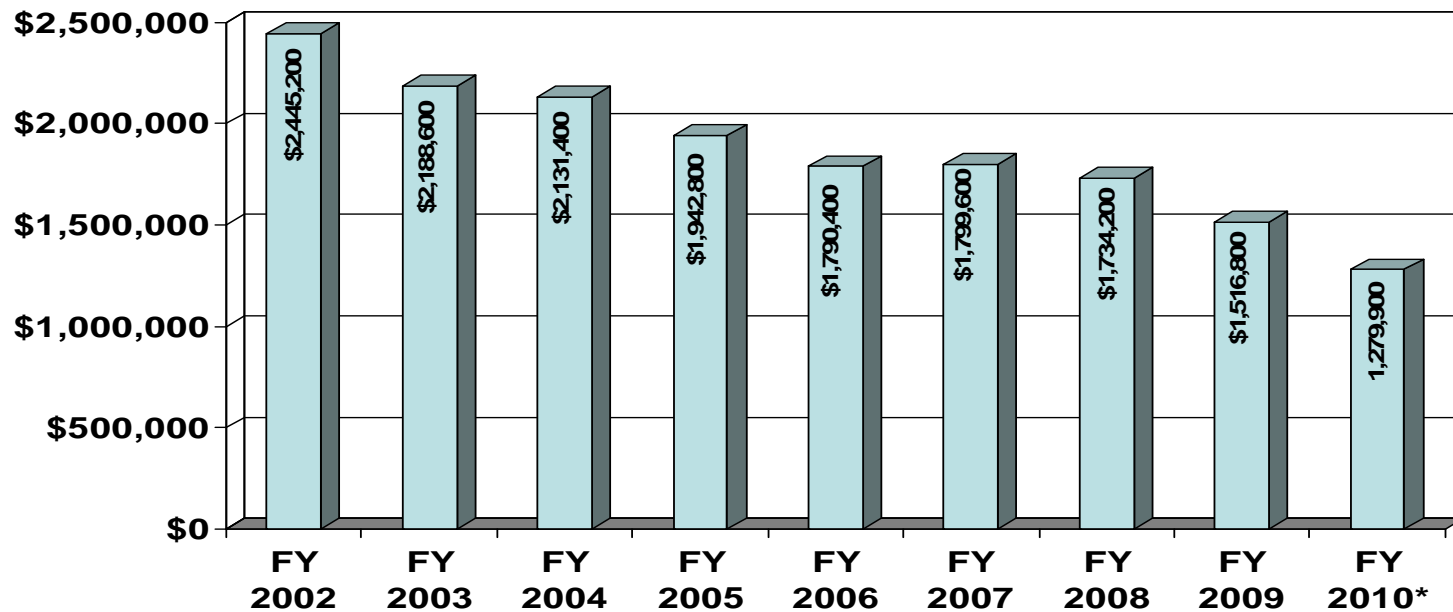


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Redemption Fees Received

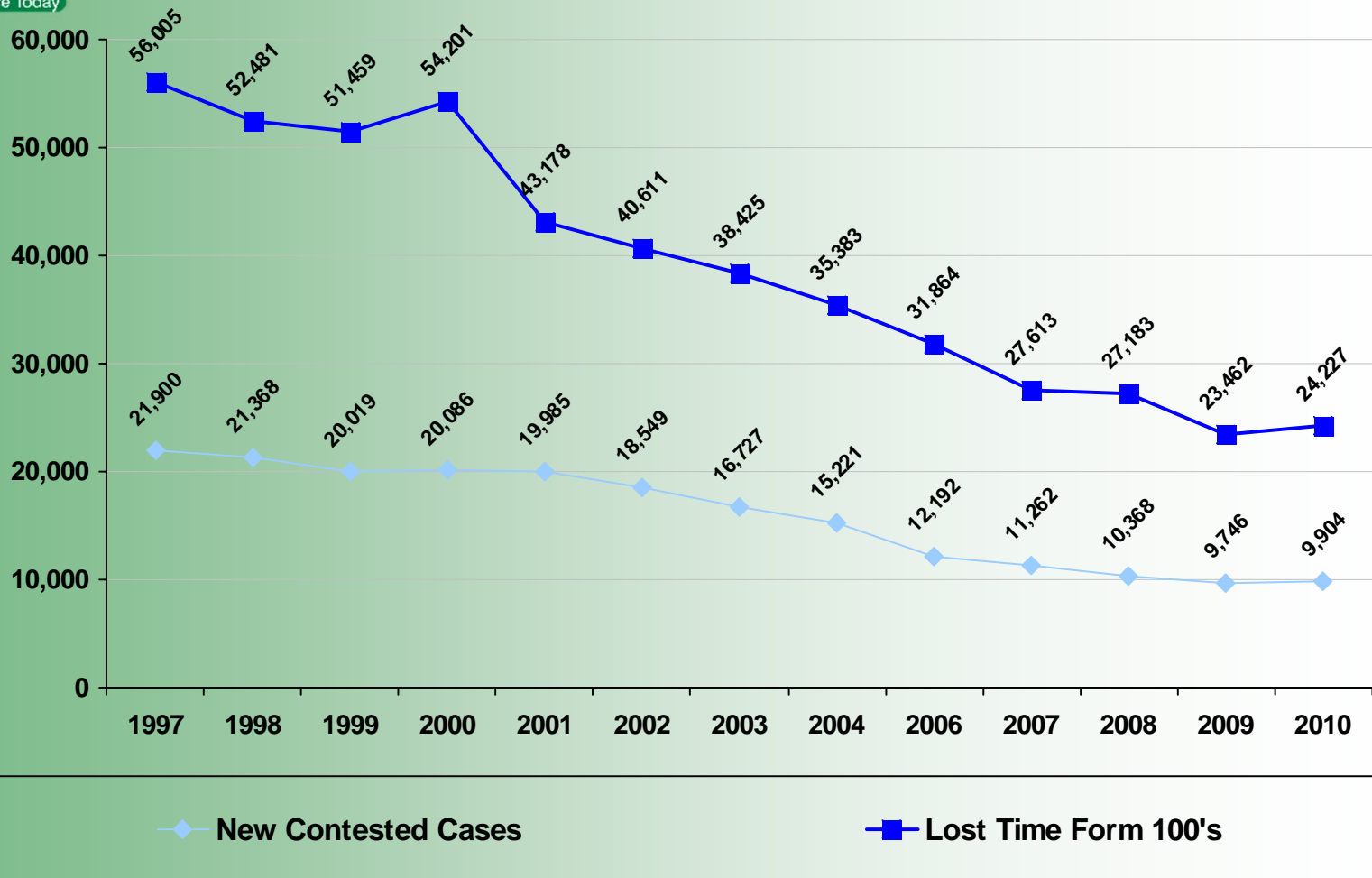


* Collected as of 10/1/10, with \$58,300 outstanding.



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Claim/Case Comparison



* Data is not available for 2005

November – December, 2010 - projected

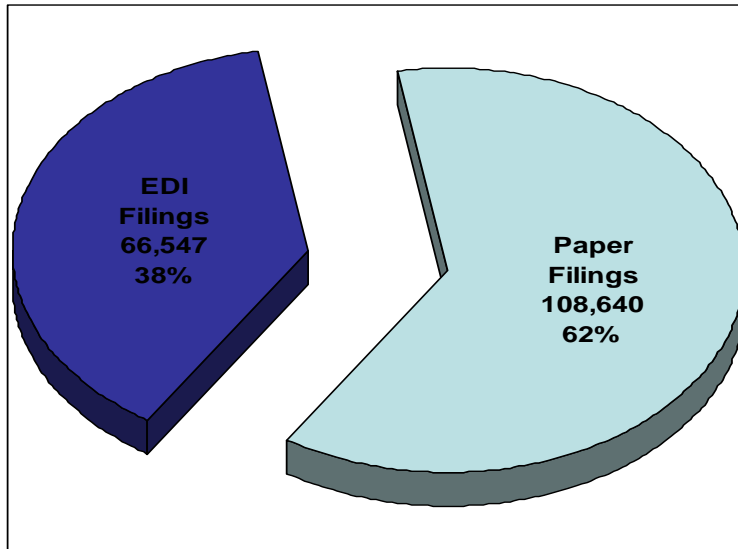
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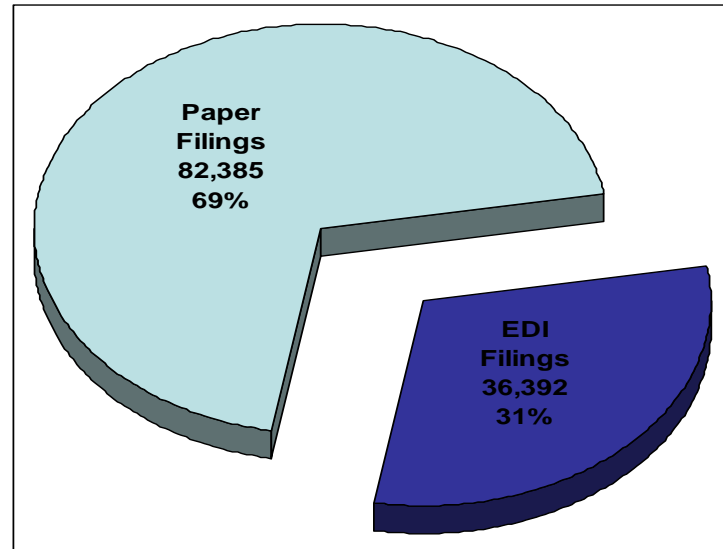
Forms 400 & 401 Received

Forms 400 – Insurer's Notice of Issuance of Policy



Total Form 400 Filings: 175,187

Forms 401 – Notice of Termination of Liability



Total Form 401 Filings: 118,777

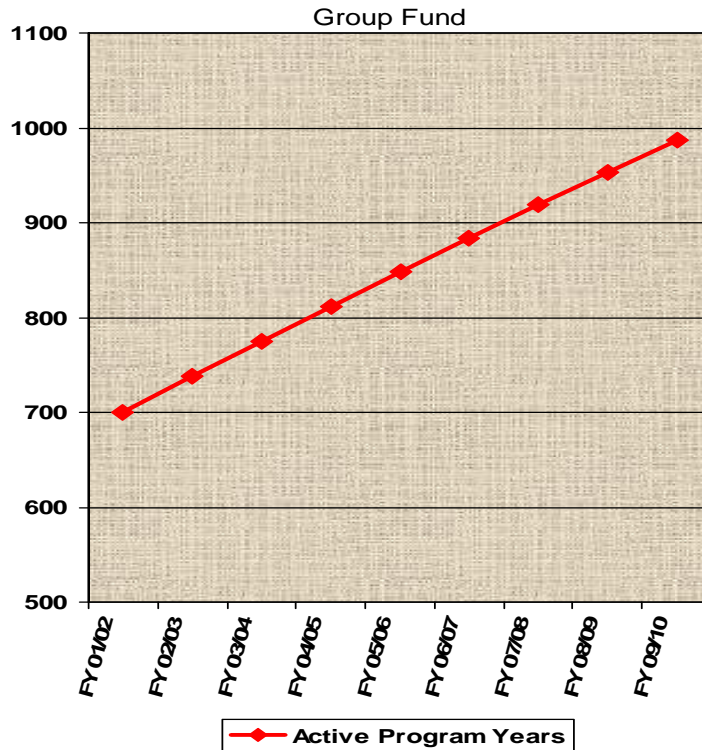
242,465 Total Employers - The number of filings has no direct relationship to the number of employers.

FY 2010 Annual Program Performance Measures

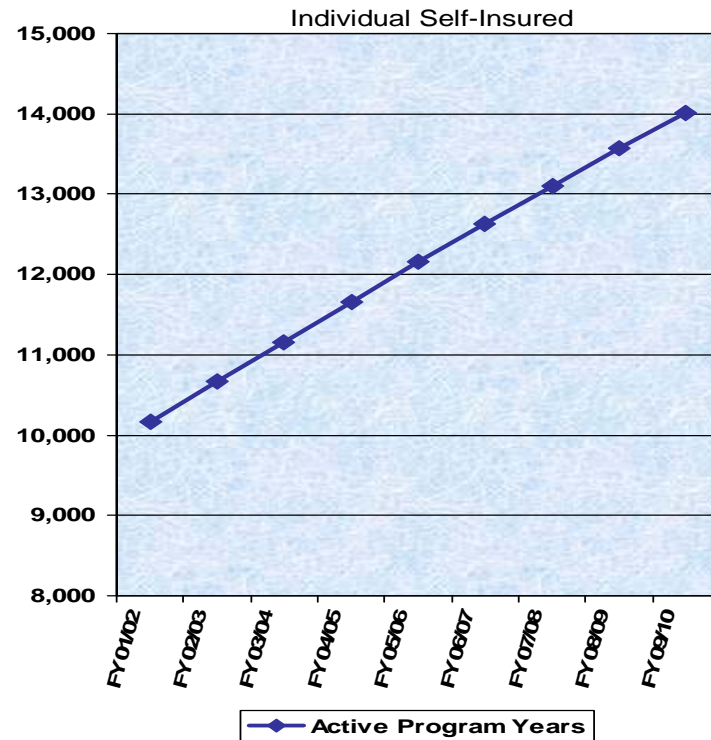
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Self-Insured Programs – Monitored & Examined



Group Fund Years represent all approved Group Fund individual years of operation monitored and examined for member loss experience, financial solvency, investment restrictions and general compliance with the Workers' Compensation Act.



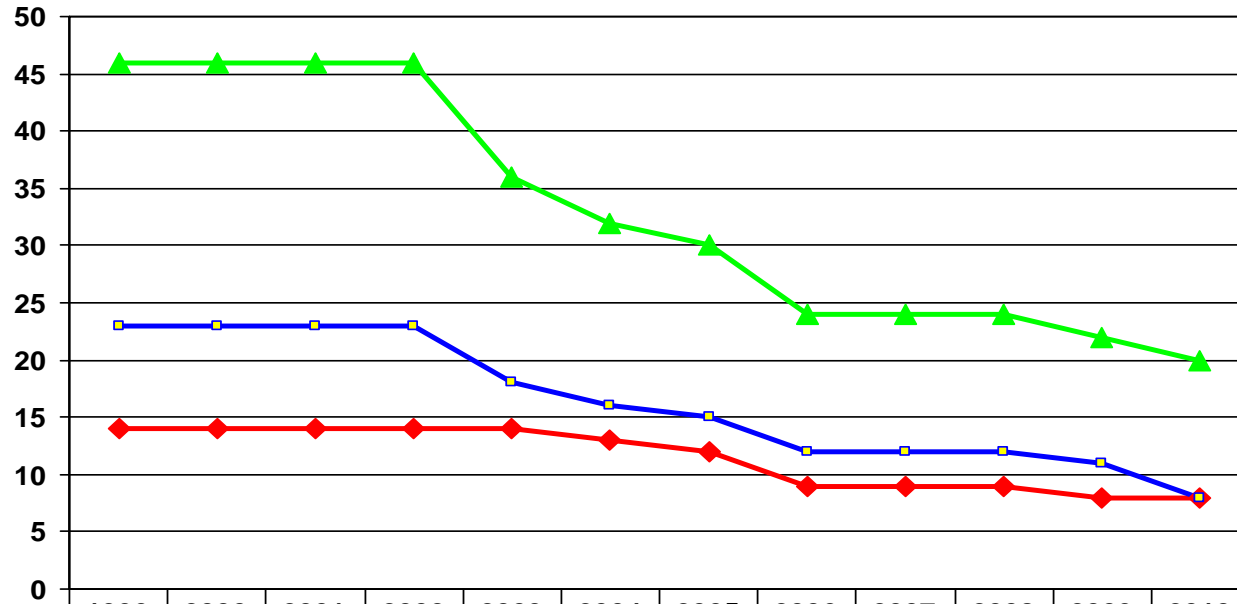
Individual Self-Insured Years represent all self-insured employer years of operation that are monitored and examined for employer loss experience, potential financial exposure, appropriate excess liability insurance, payment guaranties, security and general compliance with the Workers' Disability Compensation Act of 1969.

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WCA Hearing Sites 1999 – 2010

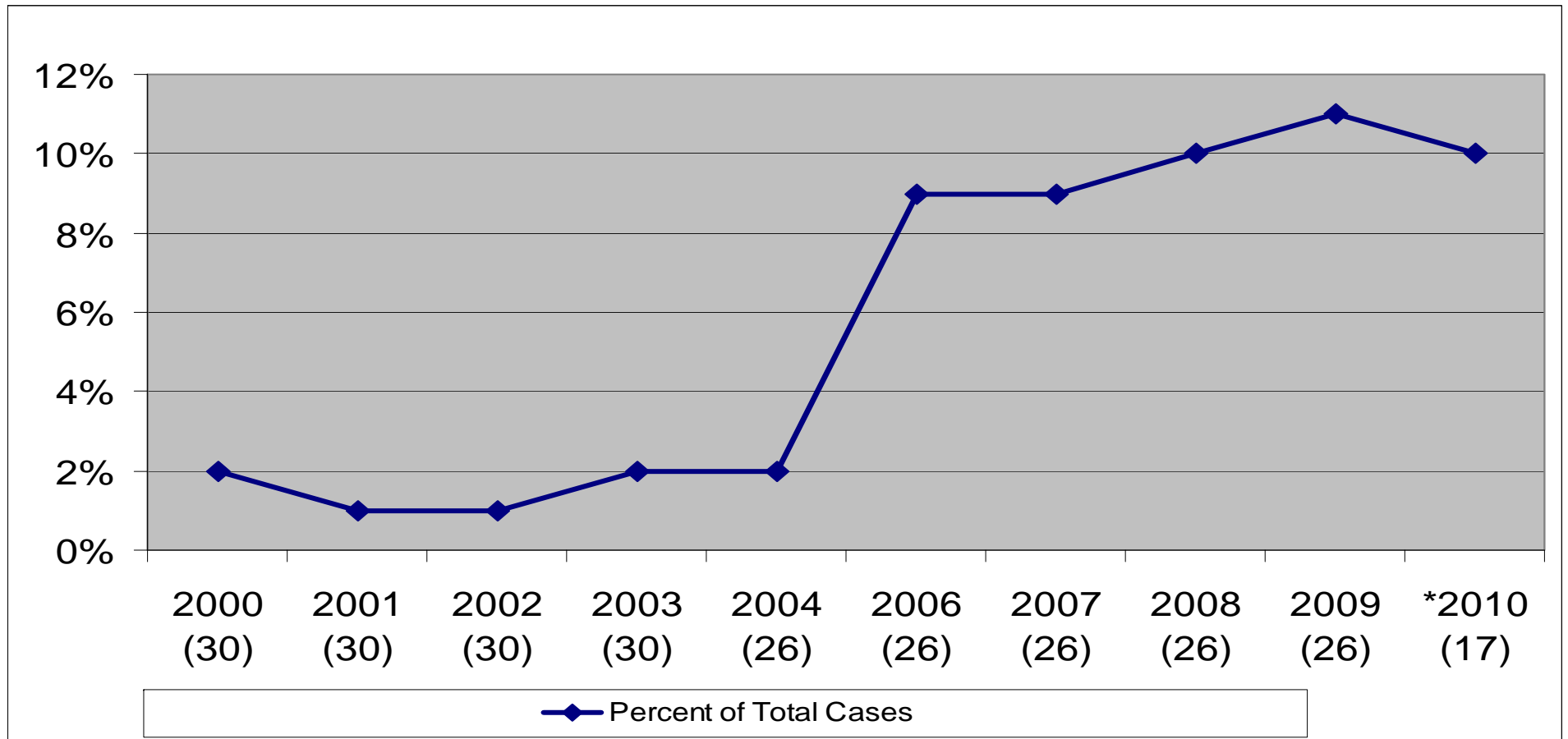


| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| ▲ All Sites | 23 | 23 | 23 | 23 | 18 | 16 | 15 | 12 | 12 | 12 | 11 | 12 |
| ■ Temporary Sites | 9 | 9 | 9 | 9 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 4* |
| ◆ Fixed Sites | 14 | 14 | 14 | 14 | 14 | 13 | 12 | 9 | 9 | 9 | 8 | 8 |

*Temporary Sites located in Gaylord, Traverse City, Baraga, Sault Ste. Marie

Percent of Total Cases Over 24 Months Old (2000 – Present)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Percent of Total Cases | 2% | 1% | 1% | 2% | 2% | 9% | 9% | 10% | 11% | 10% |
| Cases +24 Months Old | 285 | 160 | 222 | 418 | 366 | 1,338 | 1,253 | 1,284 | 1,385 | 1,416 |
| Magistrates on Board | 30 | 30 | 30 | 30 | 26 | 26 | 26 | 26 | 26 | 17 |
| Total Cases | 16,210 | 16,727 | 17,942 | 17,992 | 15,665 | 14,932 | 13,885 | 12,980 | 12,681 | 13,991 |

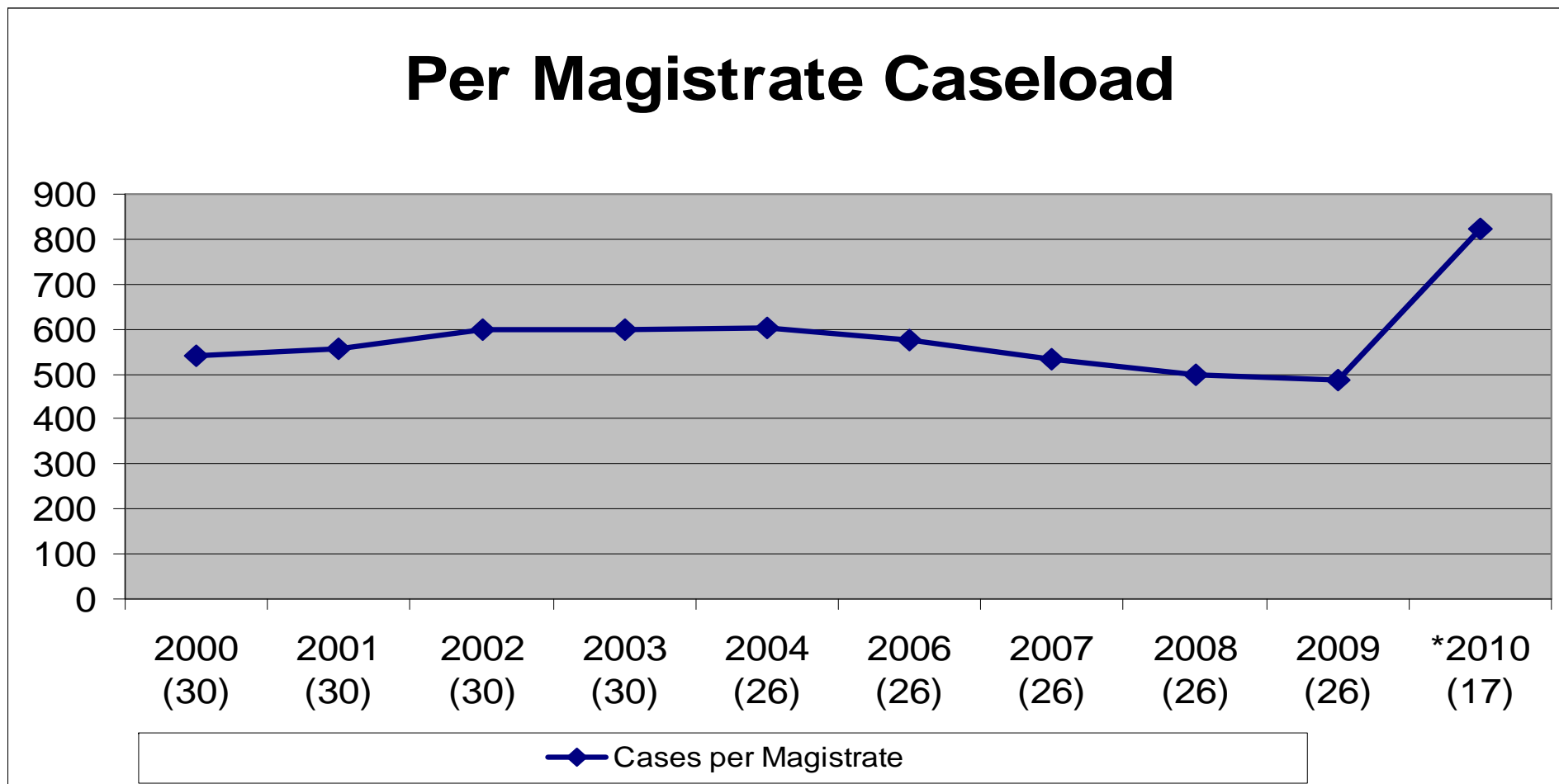


2005 figures not available due to system crash

* 2010 figures as of September 30, 2010

Per Magistrate Caseload (2000 – Present)

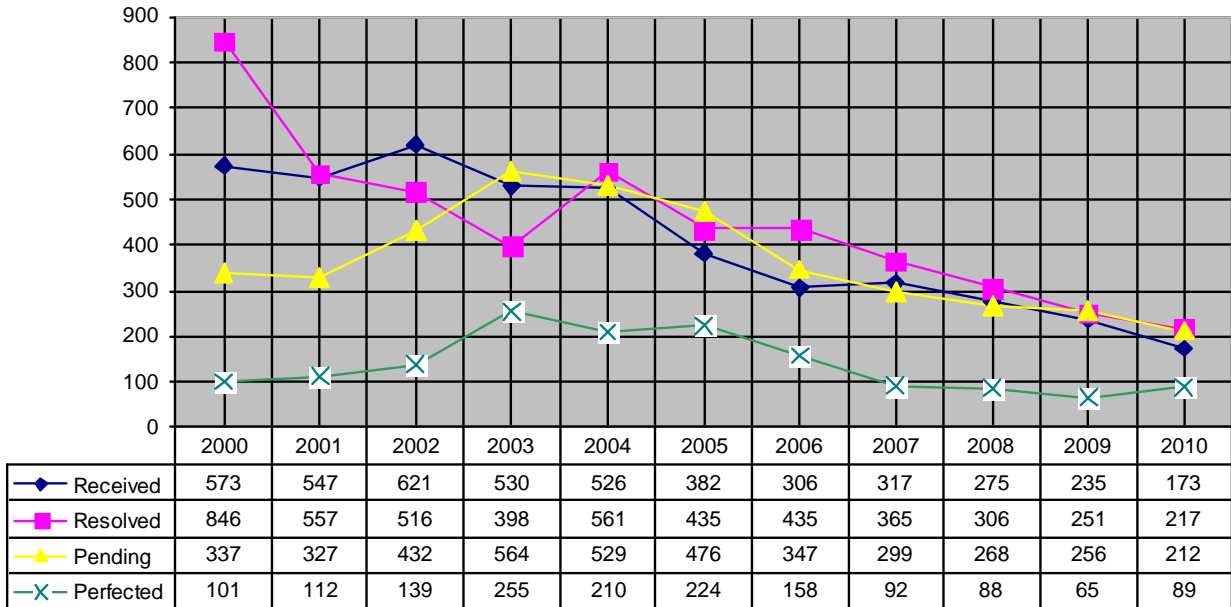
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Cases per Magistrate | 540 | 558 | 598 | 599 | 603 | 574 | 534 | 499 | 488 | 823 |
| Magistrates on Board | 30 | 30 | 30 | 30 | 26 | 26 | 26 | 26 | 26 | 17 |
| Total Cases | 16,210 | 16,727 | 17,942 | 17,992 | 15,665 | 14,932 | 13,885 | 12,980 | 12,681 | 13,991 |



2005 figures not available due to system crash

* 2010 figures as of September 30, 2010

**Workers' Compensation Appellate Commission
Claim Activity: 2000 through 12/31/2010**



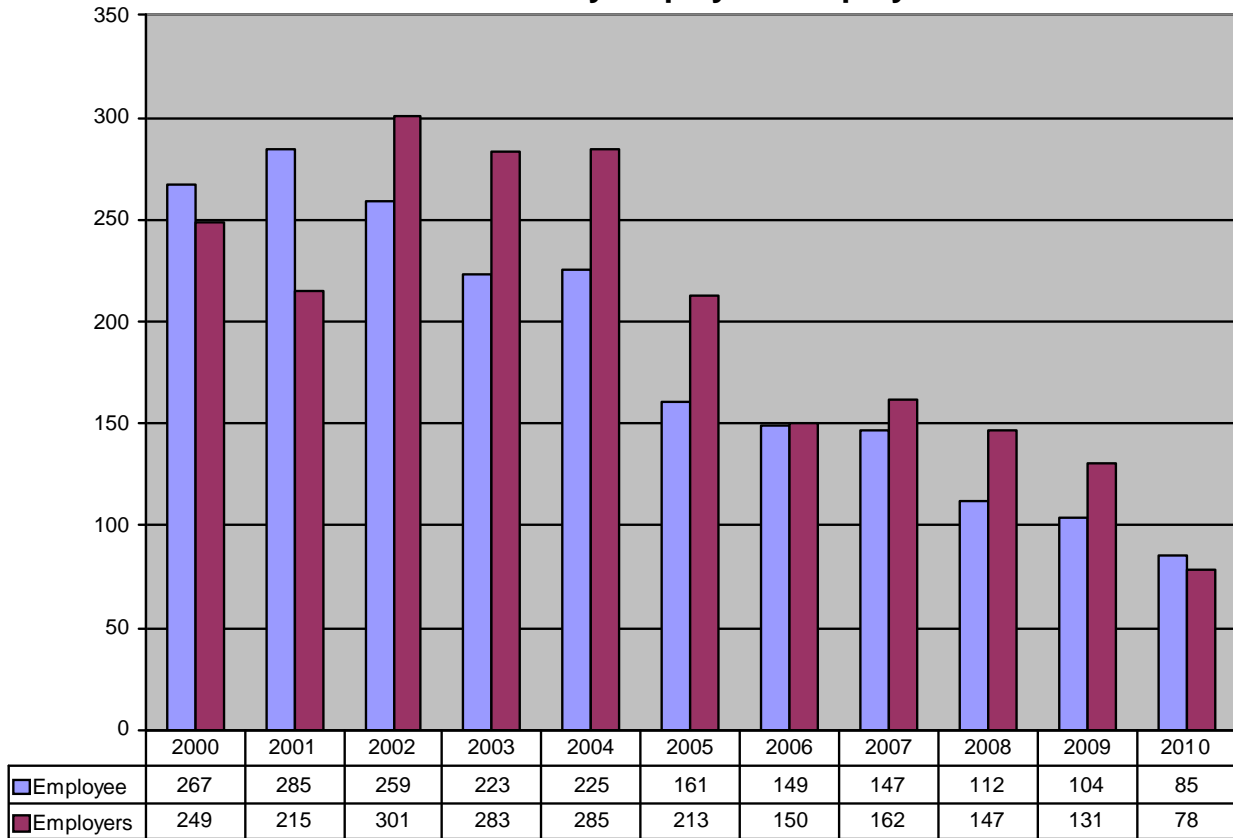
Received: Includes all new claims filed with the Commission as well as reinstatements and remands from the Michigan Court of Appeals and the Michigan Supreme Court.

Resolved: Includes all dispositive opinions, orders, redemptions and withdrawals.

Pending: This figure includes all pending appeals before the Commission at the end of December 2010, including active appeals (claims received prior to 2010 and new claims received in 2010), higher court reinstatements, remanded cases where the Commission retained jurisdiction.

Perfected: All cases ready for review pending before the Commission (all required transcripts and briefs have been filed) awaiting disposition.

**Workers' Compensation Appellate Commission
New Claims Filed by Employees/Employers**



New Claims Filed by Employees/Employers

The number of claims filed by employees and employers is represented in this illustration. The total number of claims received in 2010 versus 2009 has decreased by 72. The number of employee claims received decreased by 26, and the number of employer claims received decreased by 46.

In the 11 year span depicted above, employee claims peaked in 2001 with 285 claims being filed, with an overall low in 2010 of 78 claims, for a decrease of 73%. Receipt of employer claims peaked in 2002 with 301 claims being filed, with an overall low in 2010 of 85, for a decrease 72%.

**Workers' Compensation Appellate Commission
2007-2010**

01/18/11

Opinions issued in 2010: 151

| Affirm | Reverse | Modify | Remand | Aff/Remand | Rev/Remand | Mod/Remand | Aff/Rev | Aff/Mod/Rev | Aff/Mod/Rev/ Remand | Mod/Rev/ Remand | Aff/Rev/ Remand | TOTAL |
|--------|---------|--------|--------|------------|------------|------------|---------|-------------|------------------------|--------------------|--------------------|------------|
| 91 | 12 | 23 | 13 | 8 | 1 | 2 | | | | | 1 | 151 |

Of the 151 opinions issued, 69 were appealed to the Court of Appeals.

WCAC issued 376 motion orders in 2010, 8 of which were appealed to the Court of Appeals.

Opinions issued in 2009: 214

| Affirm | Reverse | Modify | Remand | Aff/Remand | Rev/Remand | Mod/Remand | Aff/Rev | Aff/Mod/Rev | Aff/Mod/Rev/ Remand | Mod/Rev/ Remand | Aff/Rev/ Remand | TOTAL |
|--------|---------|--------|--------|------------|------------|------------|---------|-------------|------------------------|--------------------|--------------------|------------|
| 107 | 11 | 12 | 49 | 17 | 4 | 3 | 4 | 3 | | 1 | 3 | 214 |

Of the 214 opinions issued, 82 were appealed to the Court of Appeals.

WCAC issued 327 motion orders in 2009, 4 of which were appealed to the Court of Appeals.

Opinions issued in 2008: 289

| Affirm | Reverse | Modify | Remand | Aff/Remand | Rev/Remand | Mod/Remand | Aff/Rev | Aff/Mod/Rev | Aff/Mod/Rev/ Remand | Mod/Rev/ Remand | Aff/Rev/ Remand | TOTAL |
|--------|---------|--------|--------|------------|------------|------------|---------|-------------|------------------------|--------------------|--------------------|------------|
| 151 | 13 | 20 | 65 | 23 | 2 | 5 | 7 | 0 | 2 | 0 | 1 | 289 |

Of the 289 opinions issued, 93 were appealed to the Court of Appeals.

WCAC issued 305 motion orders in 2008, 7 of which were appealed to the Court of Appeals.

Opinions issued in 2007: 279

| Affirm | Reverse | Modify | Remand | Aff/Remand | Rev/Remand | Mod/Remand | Aff/Rev | Aff/Mod/Rev | Aff/Mod/Rev/ Remand | Mod/Rev/ Remand | Aff/Rev/ Remand | TOTAL |
|--------|---------|--------|--------|------------|------------|------------|---------|-------------|------------------------|--------------------|--------------------|------------|
| 174 | 8 | 26 | 38 | 8 | 5 | 0 | 12 | 2 | 3 | 0 | 3 | 279 |

Of the 279 opinions issued, 106 were appealed to the Court of Appeals.

WCAC issued 296 motion orders in 2007, 12 of which were appealed to the Court of Appeals.

The 2010 statistics were significantly impacted by several unusual factors:

- Magistrates(4) and a Commissioner resigned to go to the Social Security Administration.
- A Magistrate's death and a Commissioner's retirement.
- 5-6 Magistrate's taken off the docket for several months, because of decision backlogs, and not trying cases.
- Two months with only 3-4 of 5 Commissioners making it difficult to issue the legally required 3 member panel decisions.
- Several months learning curve for the 2 new Commissioners.