



STATE OF INDIANA

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WORKERS COMPENSATION BOARD

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AGENCY OVERVIEW

The Workers' Compensation Board utilizes a general fund and two dedicated funds. The dedicated funds are the Second Injury Fund and the Residual Asbestos Fund. The activities of the Second Injury Fund and Residual Asbestos Fund are adequately described in the budget overview statements. This letter focuses on the General Fund appropriation.

Mission Statement

The mission of the Indiana Worker's Compensation Board is to efficiently administer the adjudication of workers' compensation disputes through both formal and informal processes, and to provide responsive service to the public when approving and processing claims information and fielding inquiries.

Customers

Our primary customers include injured workers, insurance company representatives, employer representatives, and attorneys.

Accomplishments

During the last fiscal year, the Worker's Compensation Board returned \$600,000 to the State from its dedicated Supplemental Administrative Fund.

93% of the staff participated in the voluntary unpaid leave program.

The Board further reduced its staff by two and the work of these individuals has been absorbed by the remaining employees. (Bringing the total to four since 2005.)

In the 4th quarter of 2009, the Board met its key performance indicator, earning a green light regarding the average age at which a worker's compensation claim is resolved by the Board. This is a testament to the Board's efficiency. However, it is important to note that the Board does not have control over many of the factors which determine the age of a case when it is closed. The average age of our open cases tends to be roughly 1½ years.

The Board's electronic updates to streamline services and accommodate legal and insurance industry practices are worthy of mention here, also. Sister states are only now developing some

of the tools the Board has been using for years. Through these time-savers, and the cross-training of all staff members, the Indiana Workers' Compensation Board has been referred to as the 2nd most efficient comp board in the nation, per the Insurance Institute and the Indiana Manufacturers Association. Currently, 23 staff members process approximately 55,000 claims annually.

Challenges

Our most creative efforts come into play when devising ways to provide high quality service with limited resources. The Workers' Compensation Community recognizes the Board's financial limitations, trusts its experience and seeks greater involvement of the Board in the whole workers' compensation process. There is consensus among the interested parties and hopefully, legislative and/or administrative rule making changes can be accomplished which will facilitate the Board's efforts to meet the community's needs.

1. Meeting the increasing demand for mediation around the state with the agency's five certified mediators may require the establishment of a reasonable fee for mediation services. Mediation is beneficial to the board and the interested parties as a means of concluding cases more quickly and economically. A fee will increase the availability of the service, and no party is ever required to mediate. The service is entirely optional. The Board anticipates broad support for a mediation fee. The Board will also be developing two more case coordinators to be effective mediators, and will do its best to identify funds to send these case coordinators for certification training during this biennium.
2. The Board will continue to develop technology improvements which help to streamline its procedures and must also be ready to implement any legislative change in the way providers are reimbursed.
3. Recently, an Indiana Court of Appeals ruling presented the Board with a difficult challenge that will require a legislative solution. The Court ruled that no statute of limitations exists for provider fee claims. This may open the door to hundreds of old claims from medical providers who can now review old billing data and file a claim, for free, on any account where they received less than 100% of the billed amount. The filing of hundreds of old claims could severely impact the Board's ability to efficiently handle what it sees as its primary purpose; the speedy resolution of injured workers' claims so that benefits, if due, can be timely paid. Legislative changes are necessary to create a statute of limitations for provider cases.

Reallocations

The personal services amount submitted in this budget is less than that submitted by the Agency in the past. This decrease is due to the reduction in staff and the replacement of a long-term employee with one at the starting salary rate.

As before, in order to meet the remaining shortfall, the agency will use approximately \$145,007 from two of the agency's dedicated funds, if available. At this time, the Supplemental Administrative Fund collects revenue from two statutory programs: Independent Contractor

Certifications, and the Self Insurance program. If the legislature passes mediation fees or filing fees for hospital provider claims, these funds would be deposited in the Supplemental Fund as well.

Effective 1/1/07, the Legislature gave the Board authority to assess insurance carriers and self-employed businesses for the cost of administering the Second Injury Fund. As this goes into effect this fiscal year, it will provide an additional opportunity to utilize dedicated fund resources to offset what have historically been General Fund expenses. Additionally, the assessment must include an amount toward the repayment of past loans extended by the Board's Supplemental Administrative Fund. The agreed-upon amount of each installment is \$192,400. Currently, four repayments of this loan exist from the Second Injury Fund to the Dedicated Supplemental Administration fund.

New Initiatives

As stated last year, we have redrafted all of our Agency rules found within the Indiana Administrative Code, 631 IAC 1. While some substantive changes were necessary, updated information was also inserted. Proceeding with the rule making process has been held up while a new section addressing the provider fee application and resolution process was drafted and revised by a committee of interested parties. We are at the end of the review process and expect to move forward in the next few months. It is hoped this will reduce the number of provider claims filed.

The cost of medical care continues to rise, affecting the cost of insurance and thus of doing business in our state. We would better serve business and industry through a proactive approach to compensating medical providers, taking the cue from other states that have already addressed this concern. The Board understands this is a process and has been pursuing it for more than three years. We will continue these efforts in an appropriate manner for a state agency which recognizes and respects the interests of all involved industries.

Although new developments at the Board can be found on our website, the Agency has never put out an annual statement. As mentioned last year, it is a goal of the Board to develop one, perhaps in this upcoming biennium if such can be done with the current level of staffing. Any annual report would only be available on our website.

Following is a summary of the data submitted in response to PROBE, relevant to efforts underway to improve the delivery of services by the Worker's Compensation Board of Indiana.

Program Measures and Goals

Key Performance Indicators

- Active efforts to maintain or reduce the amount of time a case spends in the formal hearing process. Goal is to resolve cases in 1 year or less. (See goal number 4 below)

- Accurately assess the needs of, and efficiently manage, the Second Injury Fund. This indicator will report deposits and withdrawals from the Second Injury Fund while qualifying each. In addition, we will report the total number of payees with the average benefit paid to each recipient. This measure will also address the fund reserve and the methods we utilize to assess the capital needs of the fund.

Goals and Measures

1. Informal resolution of disputed cases.

One of our goals is to reduce the number of cases that must be resolved via our formal hearing process. The bulk of this task falls to our case coordinators. They are the entry point to our disputed claim system and it is their duty to facilitate the resolution of worker's compensation disputes without the need for a formal hearing. Using tools such as mediation and alternate dispute resolution, they act as impartial third parties who work to accommodate the demands of all involved parties. Currently, 54% of all disputed cases are resolved without the need for a formal hearing. Board mediations boast a 90% success rate.

2. Reduction of time it takes to resolve a case through the formal hearing process.

We proactively work to reduce the amount of time a claim heard by a Single Hearing Member remains open from date of filing. Initially, our goal was two years; the industry average. This was met in 2007. In 2008, we set our goal at one year and met this goal the 4th quarter of 2009. Currently, cases are regularly resolved within 1 ½ years.

3. Reduction of time from formal hearing to issued decision.

Historically, our hearing members have rendered their decisions in 40 days or less; an industry-wide acceptable time frame. Due to the success of our case coordinators and mediators, fewer cases need to be scheduled on the hearing docket. This, in turn, has allowed our hearing members to reduce the amount of time it takes to write decisions and enter Orders on disputed claims. Our goal has been 25 days for over a year. In 2008, we've averaged 23 days. That's down from 30 days in 2007; a 24% reduction. We will continue to monitor this metric and find ways to further improve upon our performance. Our current number is near 28 days, as we push to hear and resolve all cases older than three years.

4. More accurately calculate annual assessment rate for Second Injury Fund.

The method of calculating the amount assessed to self-insured employers and insurance carriers was changed in 2007. The Board has calculated the assessment using relevant historical averages and data supplied by the Indiana Compensation Rating Bureau (ICRB). The assessments for 2008 and 2009 brought in the amounts projected, and in turn covered the obligations of the Fund. Unlike

previous assessments, prudent reserves were built in to cover unforeseen needs or shortfalls in the amounts collected. The Board necessarily uses ICRB data from 2 years previous, which is as soon as certified numbers are available. The employment situation in 2008 was much different than in 2010. In turn, worker's compensation insurance data from 2008 was not accurate enough to adequately provide for an assessment rate which would satisfy the projected needs of the Second Injury Fund in 2010. The Board is hopeful that any shortfall this year can be met with the 3 month prudent reserve on both employee benefits and prostheses replacement.

For the 2011 assessment, the Board will take into consideration other employment statistics from 2010, although it will still have to use 2009 data from the ICRB. A three month prudent reserve will still be used, but an inflation factor will be added to the prosthetics amount, due to the increasing cost of replacing ever-more sophisticated limbs.

In addition to using historical data to estimate the needs of the fund, the Board has begun collecting information from current cases. When an injured worker is found permanently and totally disabled (PTD), the relevant statistics to factor in the additional draw on the fund are logged. For example, Joe Sample will have received his maximum benefit in June of 2012, and receive \$300 per month. He is currently 65, so the number of years he will receive benefits can be actuarially calculated. This will help ensure the assessment for 2012 is sufficient to pay Joe's benefits.

Throughout the year, each staff member who works with the Second Injury Fund will keep a quarterly account of the percentage of time so spent. In this way, the annual assessment will more accurately reflect the administrative costs of the Board each year. A flat administrative fee has been built into the assessment since 2008. The amount is based on a 2007 estimate of the time spent by six employees who manage the fund. However, 2011 will be the first year the administrative cost will be taken to offset personal services costs within the Boards General fund appropriation.

Linda Peterson Hamilton
Chairman