

WSI Update

Presented by Bryan Klipfel, WSI Director

Interim Legislative Workers' Compensation Review Committee Meeting

Devils Lake, ND

March 14, 2012

2010 Performance Evaluation Update

The 2010 Performance Evaluation was conducted by Sedgwick Claims Management Services, Inc. and presented to the committee on August 13, 2010. A brief status update was also provided at the August 24, 2011, meeting of this committee.

Pursuant to NDCC Section 65-02-30, the evaluating firm is selected by the State Auditor's Office and must have extensive expertise in workers compensation practices and standards.

There were eight elements reviewed: claims, contracts, internal audit, post-retirement benefits, a comparison of other states workers compensation laws regarding prior injuries, narcotics utilization, impact of moving to the 6th edition of AMA Guides, and a review of implementation of recommendations from the 2008 performance evaluation.

The report outlined many positives with our current program. Some of these include:

- The reaffirmation of sound WSI practices regarding claims decisions (p. 10).
- Good procurement practices (p. 10).
- Substantially improved internal audit performance (p. 11).
- The high degree of reliability of ND PPI Ratings (p. 13).
- A claim denial rate lower than the national average (p. 15).
- Claim decisions are in accordance with state law, admin code, and WSI policy (p. 17).
- Indemnity decision date meets national average (p. 27).
- Vocational rehab outcomes have improved (p. 46).
- WSI employee turnover has been reduced from 15.8% in 2008 to 3.6% in 2009 (p. 46).
- Significant favorable changes in the deployment of return to work case management firms (p. 53).
- The Safety Learning Management System (LMS) is more extensive than is currently being offered in any other state (p. 74).
- The existing Additional Benefit Payable (ABP), or post-retirement benefit, is unique and appears to be a reasonable way to supplement retirement income (p. 86).
- North Dakota's definition of compensable injury is in standard with other states (p. 88).
- Greater consistency with the recommendation implementation process (p. 127).

The report contained 50 recommendations. As of January 31, 2012, WSI has closed out 35 recommendations and 15 are a work in progress. **(HANDOUT)**

There were recommendations related to legislative and policy issues. These items were considered by the 2009-10 Interim Legislative Workers Compensation Review Committee which ultimately forwarded some recommendations for consideration by the 2011 Legislative Assembly.

Enacted 2011 legislation in response to this evaluation included:

- 2011 SB 2021—WSI Appropriations bill provided the authority and funding to move the vocational rehabilitation services program in-house (Rec 2.1).
- 2011 HB 1051 provided for modifications to the existing Additional Benefit Payable statute (Rec's 4.2 and 4.3).
- 2011 HB 1055 provided for moving to the current edition of the AMA Guides to Permanent Partial Impairment (PPI) and modifications to the PPI threshold and benefit rates (Element 7 and Rec 1.9).

Defeated 2011 legislation in response to this evaluation included:

- 2011 HBs 1053 and 1054 relating to narcotics administration and dispense as written (DAW) medications (Element 6).
- 2011 HB 1052 relating to confidentiality of provider information (Rec's 6.6 and 6.7).

WSI staff will continue to work towards implementation of the remaining recommendations.

2011 HB 1056 changed the frequency of the performance evaluations from every two years to every four years. The next independent performance evaluation will commence in 2014.

Annual Premium Rate Review

WSI's consulting actuaries, Pat Whatley and Kevin Ryan with the firm of Bickerstaff, Whatley, Ryan and Burkhalter (BWRB), are in the process of conducting WSI's annual rate review. The timeline for the 2012-13 premium rate hearing process is as follows:

Monday, March 19, 2012 – Notice to ND Newspaper Association for publication in all official county newspapers

Monday, April 2, 2012 – Publication complete

Tuesday, April, 10, 2012 – Informal Public Premium Rate Hearing (held in WSI Board Room)

Monday, April 16, 2012 – End of Public Comment Period

Wednesday, April 18, 2012 – Board Meeting – Final Premium Rate Recommendation

Sunday, July 1, 2012 – Effective date of new premium rates, minimum premium, and rate classification manual changes.

The dividend discussion and recommendation will occur at the June 2012 Board meeting.

Finance and Fund Status Update

The available surplus as of January 31, 2012 was \$419.2 million or 49% of the estimated discounted reserve liabilities of \$855.3 million.

Investment returns from July 2011 through January 2012 reflect a gain of \$42.1 million compared to a gain of approximately \$107.3 million in the same period of the prior year.

Earned premium for the first seven months of FY12 was \$142.3 million, a 27% increase from the \$112 million for the same period of the prior year.

Workforce Safety & Insurance
PE2010 Performance Evaluation - Status by Element
As of January 31, 2012

Element	Total Number of Recs.	Mgmt. Status of Recommendation Implementation			% Closed ²	Internal Audit Validation ³	
		Closed ¹	In Progress	On Hold for AIM		# Validated	% Validated
Element 1 - Part A - Claim Denials	3	3			100%	2	67%
Element 1 - Part B - Adjudicated Claims	4	4			100%	4	100%
Element 1 - Part C - PPI Threshold	3	3			100%	3	100%
Element 2 - Evaluation of Contracts	16	8	7	1	56%	9	100%
Element 3 - Internal Audit Division	1	1			100%	1	100%
Element 4 - Adequacy of Post Retirement Benefits	3	3			100%	3	100%
Element 5 - Comparison of Other State's Workers' Compensation Laws	5	5			100%	4	80%
Element 6 - Narcotic Utilization	9	4	5		44%	3	75%
Element 7 - Move to 6th Edition of the AMA Guides	4	2	2		50%	2	100%
Element 8 - Prior Recommendations	2	2			100%	2	100%
Total	50	35	14	1	72%	33	92%

1 - Reflects all recommendations that have been closed, and forwarded to Internal Audit for validation.

2 - Number of recommendations Closed (including those on hold and closed for AIM), divided by the total number of recommendations.

3 - Reflects all recommendations that have been validated by Internal Audit - % Validated is a percent of those that have been closed (including recs on hold and closed for AIM)