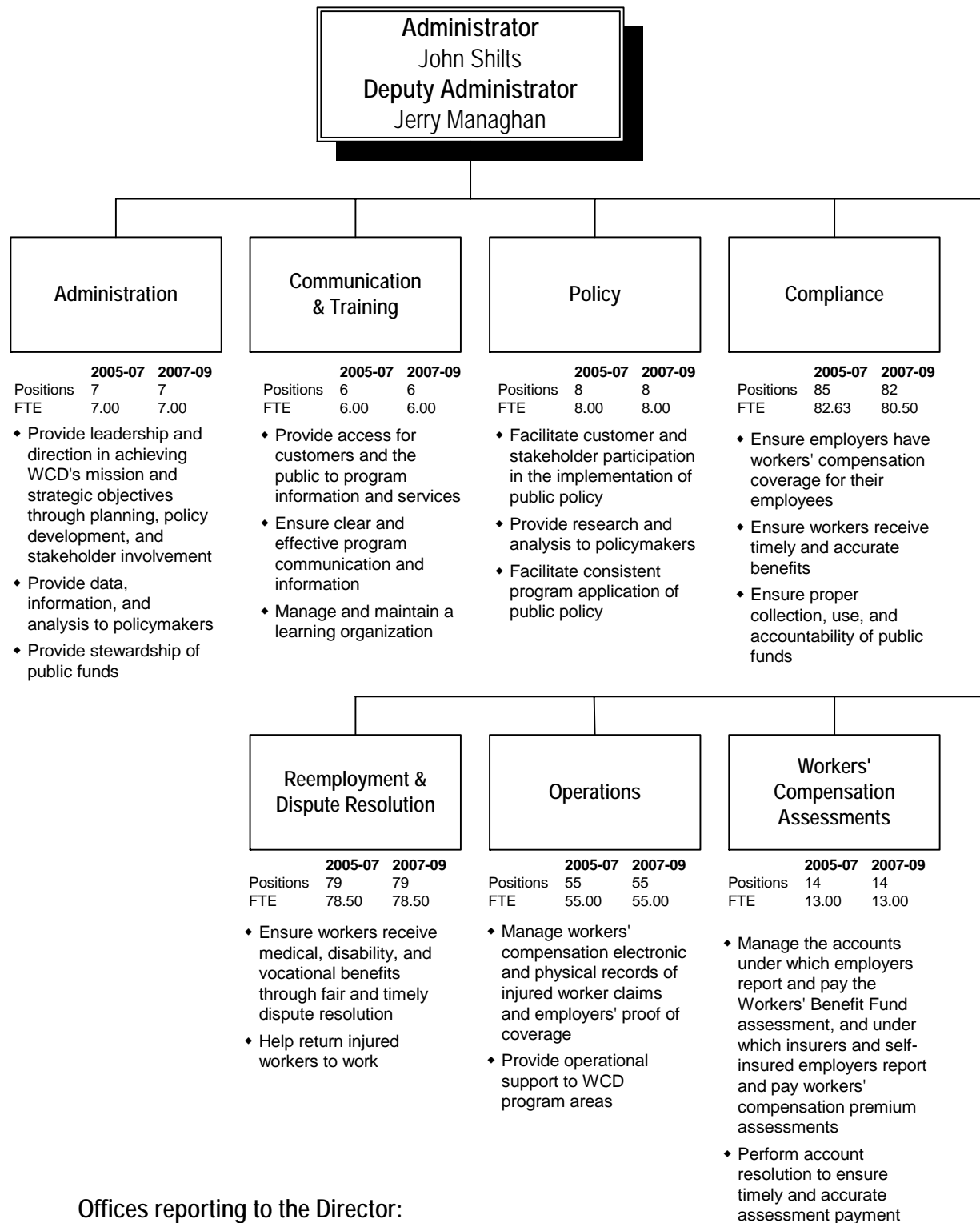
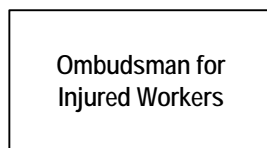


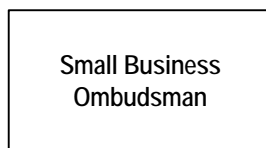
# WORKERS' COMPENSATION DIVISION



## Offices reporting to the Director:



|           |                |                |
|-----------|----------------|----------------|
|           | <b>2005-07</b> | <b>2007-09</b> |
| Positions | 8              | 8              |
| FTE       | 8.00           | 8.00           |



|           |                |                |
|-----------|----------------|----------------|
|           | <b>2005-07</b> | <b>2007-09</b> |
| Positions | 2              | 2              |
| FTE       | 2.00           | 2.00           |

|                                                                          |               |
|--------------------------------------------------------------------------|---------------|
| <b>Workers' Compensation Division including Offices of the Ombudsmen</b> |               |
| 2005-07                                                                  | 2007-09       |
| Approved                                                                 | Requested     |
| 264 Positions                                                            | 261 Positions |
| 260.13 FTE                                                               | 258.00 FTE    |
| \$36,378,737                                                             | \$41,123,955  |

# WORKERS' COMPENSATION DIVISION

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## Mission

To efficiently and impartially enforce the workers' compensation law:

- To restore the injured worker physically and economically to a self-sufficient status expeditiously and to the greatest extent possible.
- To ensure a fair and just administrative system for the delivery of medical and financial benefits to injured workers and for resolving disputes quickly and fairly.
- To ensure that subject employers obtain and provide workers' compensation coverage for their employees.

## What we do

The Workers' Compensation Division administers, monitors, and enforces Oregon's workers' compensation laws.

## Program delivery

The Workers' Compensation Division:

- Investigates to ensure that employers maintain workers' compensation coverage.
- Ensures that workers receive accurate and timely benefits through education, audit, consultation, and investigation.
- Ensures that injured workers receive quality medical care by certifying and monitoring managed care organizations and their contracts, responding to inquiries, and developing medical fee schedules.
- Facilitates early return-to-work for injured workers by offering incentive programs to employers.
- Resolves medical, vocational, disability, and other disputes through alternative dispute resolution.
- Provides consultation and technical assistance to workers, employers, insurers, claims examiners, attorneys, medical providers, and others.
- Reimburses insurers for expenditures eligible for reimbursement from the Workers' Benefit Fund.
- Provides staff support to the Workers' Compensation Management-Labor Advisory Committee.
- Provides information and analysis to policymakers so decisions can be based on unbiased and objective data.

## Accomplishments, 2005-2007

### 1. Employers provide workers' compensation coverage for workers at an affordable cost:

- Oregon employers will see a 2.1 percent "pure premium rate" decrease in 2007. Since 1990, workers' compensation premium rates declined for 12 straight years, followed by four years of flat rates. These premium reductions have saved Oregon employers \$12.8 billion since 1990.

# WORKERS' COMPENSATION DIVISION

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## **2. Injured workers are becoming self-sufficient more quickly as a result of improvements to the Workers' Compensation Division's return-to-work programs and dispute resolution processes. The division:**

- Decreased the average time for resolving vocational disputes from 67 days to 30 days.
- Increased return-to-work financial assistance through the Preferred Worker Program. Workers who use the reemployment programs have a higher employment rate and return to work at a higher wage than eligible workers who do not use these programs.
- Continued to reduce the number of formal hearings to resolve benefit disputes. The alternative dispute resolution process resolves disputes more quickly than formal hearings. WCD resolves about 8,000 disputes each year involving permanent disability, medical and vocational services, and other claims benefits.
- Achieved a 34 percent reduction in the median number of days to resolve medical disputes processed during the first three quarters of 2006. For example, a pilot project reduced the average medical fee dispute resolution time from 64 days to fewer than three days.

## **3. Injured workers have increased rights in the independent medical review process. The division:**

- Adopted rules related to Senate Bill 311, which gave workers the right to contest an insurer-required, independent medical examination location; bring an observer into the examination; be notified of available expense reimbursement; and file complaints.
- Developed training and certified more than 400 independent medical exam providers in ethical and practice standards, and established procedures to investigate and address violations.

## **4. Injured workers receive timely and accurate benefits. The division:**

- Used outreach, education, and audits to support a workers' compensation system that delivers injured workers timely and accurate benefits 90 percent of the time. This is a very high rate of compliance compared to other states. Oregon has ranked either first or second in the past several years in the timeliness of first payment of benefits to workers, according to the Workers' Compensation Research Institute.

## **5. Streamlining efforts have made doing business with the Workers' Compensation Division easier for employers, insurers, and the general public. The division:**

- Started offering online training registration, materials, and tools. For example, a customer can now access an online calculator to determine permanent partial disability benefits, eliminating the cumbersome pencil and paper process.
- Streamlined appellate processes and reduced costs by transferring workers' compensation administrative orders to the Workers' Compensation Board from the Office of Administrative Hearings.
- Implemented conferences to help employers and workers resolve reemployment assistance disputes.
- Increased interagency collaboration with the departments of Human Services, Employment, Revenue, and Construction Contractors and Landscape Contractors boards involving assessments, enforcement, independent contractors, and return-to-work programs.

# WORKERS' COMPENSATION DIVISION

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- Increased options for self-insured employers to meet their security requirements by allowing them to use letters of credit.
- Continued to develop and implement a transition to electronic reporting of insurance coverage, medical data, and claims from paper-based processes.

## **6. Customers and stakeholders received improved service from the Workers' Compensation Division in 2005-2007. The division:**

- Conducted more than 35 customer and stakeholder surveys, using the feedback to provide better information and training to consumers, and making processes more efficient.
- Increased educational outreach efforts by working with Small Business Development Centers, giving direct training, attending statewide job fairs, and conducting an Educational Conference serving more than 400 workers' compensation customers and stakeholders.
- Improved external Web site, better serving a broader group of customers and stakeholders by adding new features, such as a section on independent medical exams.
- Implemented user-friendly changes by simplifying forms, using an electronic notification system, and improving the advisory committee process for administrative rule development.

## **Anticipated results, 2007-2009**

- Identify patterns in claims administration errors, using the results to target audits, education, and outreach to insurers, third-party administrators, employers, and stakeholders.
- Improve quality medical care for injured workers in collaboration with medical providers, insurers, and advisory committees by:
  - Helping physicians to better understand the needs of injured workers and the workers' compensation system through improved training and learning materials.
  - Increasing injured workers' access to medical information.
  - Identifying and promoting best practices in medical treatment and pharmacy management for injured workers.
- Improve return-to-work incentive programs to increase successful return-to-work outcomes for employers with disabled workers.
- Work with stakeholders and legislators to eliminate the guaranty contract, a burdensome extra step insurers must take when providing employers with workers' compensation insurance, in order to reduce system costs.
- Implement recommendations to make the assigned risk pool more self-sufficient while keeping it affordable for new and small businesses.
- Continue to review division functions and processes to ensure workers are receiving timely and accurate benefits while monitoring industry performance to pinpoint specific performance problems and their causes in order to eliminate those problems. The division will treat these problems systematically while continuing to address and resolve individual complaints.
- Provide excellent customer service by preventing disputes and expediting dispute resolution between parties, issuing more timely decisions and orders, and providing faster, easier access to information.

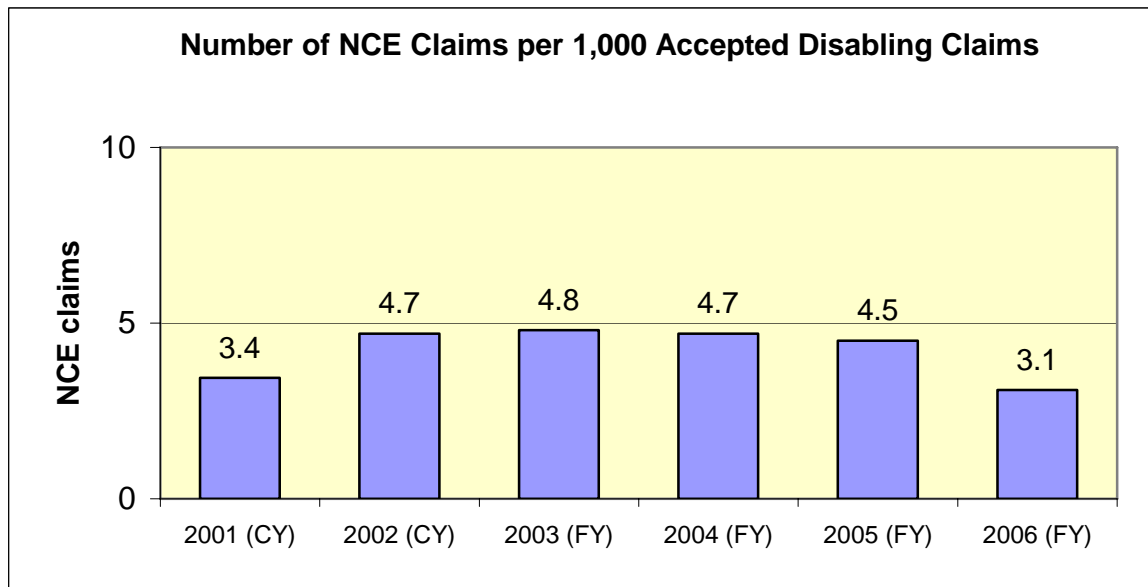
# WORKERS' COMPENSATION DIVISION

## Key performance measures and related outcomes

*Number of claims against employers without workers' compensation coverage per 1,000 total claims. (Indicator of noncomplying employers (NCEs))*

In 2006, the rate of noncomplying employer claims declined while the number of accepted disabling claims for insured employers increased slightly. The frequency of accepted claims of noncomplying employers was a relatively low 3.1 per 1,000 accepted disabling claims, very nearly achieving the division's performance target of 3.0. This low number is significant because it was achieved while the number of Oregon employers has continued to grow. This indicates Oregon employers are better meeting their obligation to provide workers' compensation insurance for their subject workers.

|                                                      | 2001(CY) | 2002 (CY) | 2003 (FY) | 2004 (FY) | 2005 (FY) | 2006 (FY) |
|------------------------------------------------------|----------|-----------|-----------|-----------|-----------|-----------|
| Number of accepted disabling claims (FY ending 6/30) | 24,645   | 23,482    | 22,514    | 22,074    | 22,083    | 22,943    |
| Number of accepted NCE claims                        | 84       | 110       | 109       | 104       | 99        | 71        |
| Number of NCE claims per 1,000 ADCs                  | 3.4      | 4.7       | 4.8       | 4.7       | 4.5       | 3.1       |

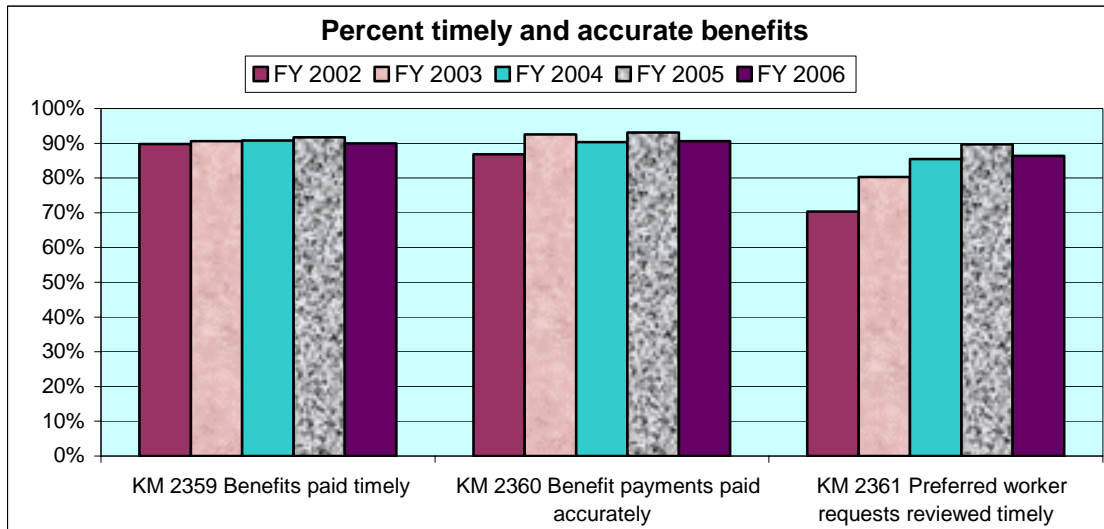


# WORKERS' COMPENSATION DIVISION

*Percent of injured workers who receive timely and accurate benefits.*

Oregon injured workers receive timely and accurate benefits, reducing the impact of the injury on workers and their families. Insurers and self-insured employers have been diligent in their claims management, which has contributed to reduced litigation and increased cost savings to Oregon employers.

|                                                                     | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 |
|---------------------------------------------------------------------|---------|---------|---------|---------|---------|
| Benefits paid timely                                                | 89.8%   | 90.6%   | 90.8%   | 91.7%   | 89.9%   |
| Benefit payments paid accurately                                    | 86.8%   | 92.6%   | 90.3%   | 93.1%   | 90.6%   |
| Preferred Worker requests reviewed timely                           | 70.4%   | 80.3%   | 85.5%   | 89.7%   | 86.3%   |
| Percent of injured workers who receive timely and accurate benefits | 89.6%   | 90.3%   | 90.5%   | 91.8%   | 89.8%   |



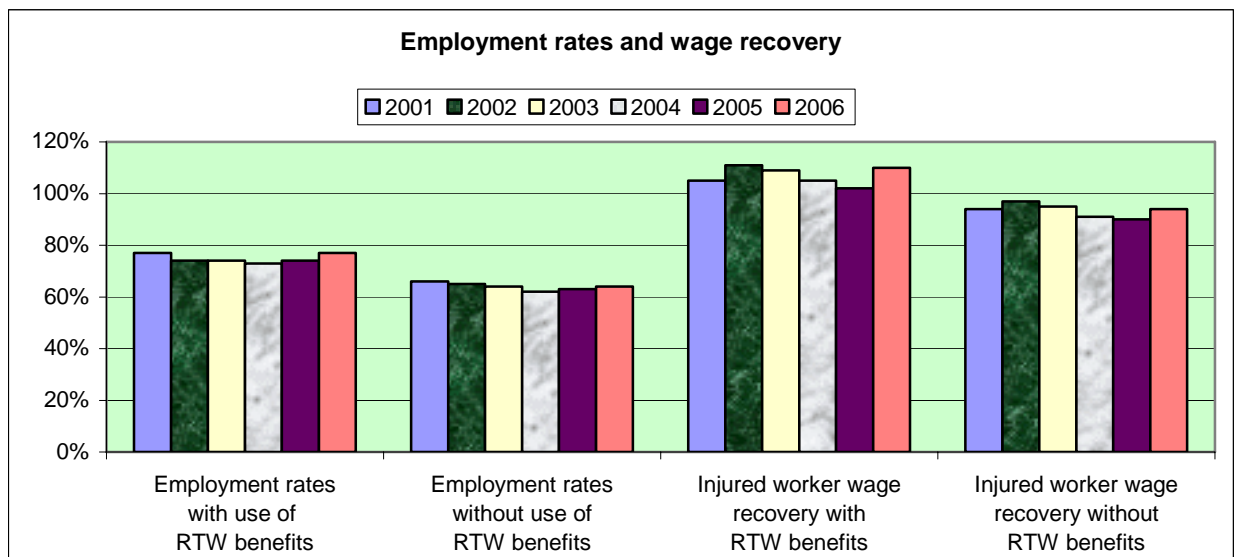
# WORKERS' COMPENSATION DIVISION

*Difference in percentage of eligible workers who return to work using return-to-work programs from those who do not use return-to-work programs, and percentage difference in wage recovery for workers who use return-to-work programs versus workers who do not.*

Workers using the return-to-work (RTW) programs are successful in obtaining and maintaining employment, and receive higher wages than workers who choose to not participate in return-to-work programs.

| <b>Data Description</b>                                                                    | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|--------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Employment rates with use of return-to-work                                                | 77%         | 74%         | 74%         | 73%         | 74%         | 77%         |
| Employment rates without use of return-to-work                                             | 66%         | 65%         | 64%         | 62%         | 63%         | 64%         |
| Difference in return-to-work (RTW) for workers using vs. not using return-to-work services | 11          | 9           | 10          | 11          | 11          | 13          |

|                                                                                    |      |      |      |      |      |      |
|------------------------------------------------------------------------------------|------|------|------|------|------|------|
| Injured worker wage recovery - using return-to-work                                | 105% | 111% | 109% | 105% | 102% | 110% |
| Injured worker wage recovery - without using return-to-work                        | 94%  | 97%  | 95%  | 91%  | 90%  | 94%  |
| Difference in wage recovery of workers using vs. not using return-to-work services | 11   | 14   | 14   | 14   | 12   | 16   |

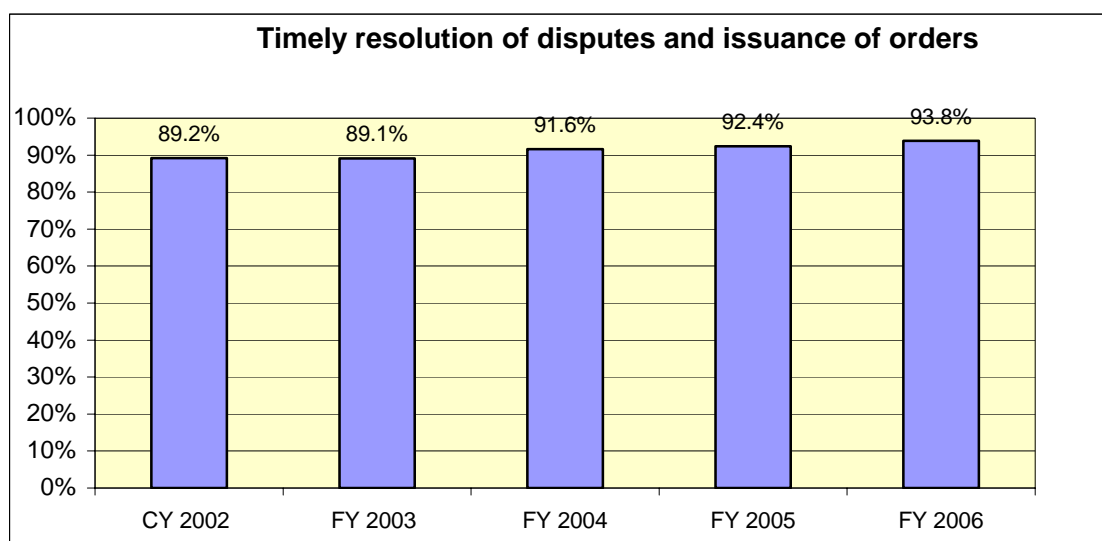


# WORKERS' COMPENSATION DIVISION

## *Timely resolution of disputes and issuance of orders*

Vigorous dispute resolution contributes to significant reductions in litigation and supports high levels of customer satisfaction reported by workers and employers.

| Calendar Year 2001 |                | Calendar Year 2002 |                | Fiscal Year 2003 |                | Fiscal Year 2004 |                | Fiscal Year 2005 |                | Fiscal Year 2006 |                |
|--------------------|----------------|--------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|
|                    | Percent timely |                    | Percent timely |                  | Percent timely | # Timely         | Percent timely |                  | Percent timely |                  | Percent timely |
| 8,331              | <b>89.0%</b>   | 8,107              | <b>89.2%</b>   | 7,921            | <b>89.1%</b>   | 8,098            | <b>91.6%</b>   | 8,417            | <b>89.6%</b>   | 7,975            | <b>93.8%</b>   |



## Workers' Compensation System Statistics

| Workers' Compensation System<br>Calendar Year Data |           |           |           |           |           |                        |
|----------------------------------------------------|-----------|-----------|-----------|-----------|-----------|------------------------|
|                                                    | 2001      | 2002      | 2003      | 2004      | 2005      | 2006                   |
| Employers with active coverage                     | 83,816    | 84,432    | 85,310    | 86,115    | 87,150    | 90,334 <sup>1</sup>    |
| Subject Oregon workers                             | 1,616,400 | 1,596,100 | 1,585,800 | 1,630,500 | 1,682,000 | 1,737,000 <sup>1</sup> |
| Accepted disabling claims                          | 24,645    | 23,482    | 21,832    | 22,325    | 22,114    | 23,367 <sup>1</sup>    |
| Claim disputes resolved <sup>2</sup>               | 5,784     | 5,617     | 5,809     | 5,771     | 5,800     | 5,804                  |
| Reemployment assistance provided                   | 10,846    | 8,409     | 8,402     | 9,208     | 8,928     | 9,291                  |
| Benefit payments audited for timeliness            | 20,324    | 22,855    | 21,361    | 26,177    | 28,853    | Not available          |

1. Preliminary estimates

2. In 2004 the method for calculating this data point was changed slightly.

# WORKERS' COMPENSATION DIVISION

## Governor's Recommended Budget

|                                                                                                                                     | Request              | FTE           |
|-------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------|
| <b>2005-07 Legislatively Adopted Budget</b>                                                                                         | \$ 39,736,446        | 260.13        |
| <b>Base Budget Adjustments</b>                                                                                                      |                      |               |
| Net Cost of 2005-07 Position Actions:                                                                                               |                      |               |
| Administrative, Biennialized E-Board, Phase-outs                                                                                    | \$ 2,826,386         | (2.13)        |
| Estimated Cost of 2007-09 Merit Increase                                                                                            | \$ 524,284           | -             |
| Base Nonlimited Adjustment                                                                                                          | \$ 149,194           | -             |
| <b>Subtotal: 2007-09 Base Budget</b>                                                                                                | <b>\$ 43,236,310</b> | <b>258.00</b> |
| <b>Essential Package 010 - Non-PICS Adjustments</b>                                                                                 |                      |               |
| Vacancy factor adjustment.                                                                                                          | \$ 197,419           | -             |
| Non-PICS adjustments for unemployment, overtime, temporaries, and mass transit taxes calculated as .006 of base salaries and wages. | \$ 77,362            | -             |
| <b>Essential Package 021/022 - Phase in/out</b>                                                                                     | \$ (22,014)          | -             |
| <b>Essential Package 030 - Cost Adjustment for Inflation and Price List</b>                                                         |                      |               |
| Cost of Goods & Services Increase/(Decrease)                                                                                        | \$ 220,633           | -             |
| Increase/shift in State Government Service Charges.                                                                                 | \$ 921,148           | -             |
| <b>Essential Package 060 - Technical Adjustments</b>                                                                                | \$ -                 | -             |
| <b>Subtotal: 2005-07 Essential Budget Level</b>                                                                                     | <b>\$ 44,630,858</b> | <b>258.00</b> |
| <b>Policy Packages</b>                                                                                                              | \$ -                 | -             |
| <b>Total: 2007-09 Governor's Recommended Budget</b>                                                                                 | <b>\$ 44,630,858</b> | <b>258.00</b> |