

Centralize Workers' Compensation Cost Containment		Agency/Program #: 6101-21-I1
		Division: Health Care & Benefits
		Program: Workers' Comp. Centralizatio
Agency Name:	Department of Administration	
Agency Contact:	Connie Welsch	444-2553
LFC Contact:	Rep. Sesso and Rep. Taylor	
LFD Liaison:	Lois Steinbeck	444-5391
OBPP Liaison:	Mark Bruno	444-4588

Program or Project Description:

Workers' Compensation Management Program - This program was a new initiative from the 2009 Biennium Governor's Budget. The purpose of the program is to reduce workers' compensation costs and injuries in state government.

Fund Name:	Appropriation, Expenditure and Source				Approp & Expenditure numbers are as of August 29, 2008
	2008		2009		
	Approp.	Expended	Approp.	Expended	
General Fund	387,690	284,591	379,679	38,807	
State Special	0	0	0	0	
Federal Funds	0	0	0	0	
Total:	\$387,690	\$284,591	\$379,679	\$38,807	

Goal(s):

Implement a centralized state workers' compensation cost containment program

Performance Measures :

1. Reduce the incidence of occupational injury and illness among state employees (note 1);
 2. Reduce the incidence of workers' compensation wage-loss claims for state government (note 1);
 3. Reduce workers' compensation premiums for state agencies;
 4. Enhance productivity within agencies by reducing the amount of time workers are separated from their jobs due to occupational injury or illness (note 1);
 5. Improve the safety of the physical work environment in compliance with the Montana Safety Culture Act;
 6. Provide a central data and financial management repository for workers' compensation information within state government;
 7. Function as the central point for negotiation and management of workers' compensation coverage through the insurance carrier, Montana State Fund; and
 8. Reduce the number of work-time loss injury claims among employees by 50 percent during the 2009 biennium.
- Implement a workers' compensation management program for State government (note 1 – these goals will show not accomplishments until after the 2009 biennium)

THESE PERFORMANCE MEASURES ARE THOSE PRESENTED IN THE EXECUTIVE BUDGET REQUEST, REVIEWED AND AUGMENTED BY THE LEGISLATURE, AND APPROVED WITH THE APPROPRIATION FOR THE INITIATIVE.

2009 Biennium Significant Milestones:	Completion Dates	
	Target	Actual
1 Sign agreements with Montana State Fund authorizing the Department of Administration to act on behalf of policyholders.	Late Oct 2007	Jun-07
2 Hire 3.0 FTE authorized by the Legislature for the workers' compensation management program.	Oct-07	Sep-07
3 List/document efficiencies and cost savings from workers' compensation program is ongoing. To date, there is a 9:1 ratio of cost savings to program costs.	Dec-08	ongoing
4 Implement an Early Return to Work (ERTW) program for state agencies.	Dec-08	Oct-07
5 Implement a safety program for employees (including improving areas of physical work environment).	Dec-08	Sep-07

Establish a central data and financial management information repository for state government.
About 80% complete as of September 2008

Jun-08

Performance Report:

- a. Authorization to Act agreements were signed by state agencies, DOA and Montana State Fund (MSF). MSF as a state agency policyholder will not be signing the agreement.
- b. DOA completed hiring the Workers' Compensation Bureau Chief, Safety Officer and ERTW Officer as of September 2007.
- c. Efficiencies and cost savings reduced costs by \$12.4 million, which includes a reduction of \$4.7 million general fund, due to the following activities:
- (1) Reduced premium increases from an average increase of 21.5% to a 4% increase for FY 2008 and over a 2% reduction in FY 2009;
 - (2) Changed agency premium payment from monthly to quarterly generating added interest income to the general fund;
 - (3) Changed 25 of 38 policies to contain only basic excess employer liability coverage;
 - (4) Revised policies and timing of payment so all policy holders receive Volume Discount and ERTW funds quarterly;
 - (5) In FY07 and FY08 negotiated retention refunds of \$880,000 and \$1.6M, respectively;
 - (6) Identified retention returns for the 2005 and 2006 policy years resulting in premium returns to agencies; and
 - (7) Began returning injured workers back to work resulting in immediate reduction in claims expenses.
- d. The ERTW program was developed and DOA is implementing the program for all agencies. For the first time in state government, injured employees are temporarily being reassigned to other agencies if necessary to get the employee back to productive employment. In addition, DOA has completed an analysis of agency needs and safety efforts ensuring compliance with the Montana Safety Culture Act. Implementation of statewide safety programs is underway.
- e. Development is underway for a data warehouse for rating, financial, safety and ERTW information management. Approximately 80% of the design and population of the data warehouse is complete.

LFD Narrative:

LFD ASSESSMENT - On -Track

DATA RELEVANCE - The data received is relevant to some of the outcome measures.

APPROPRIATION STATUS - Appropriation/expenditure data was provided.

OPTIONS - The workgroup could review the data at the October meeting. It could also request that the appropriation and expenditure data be provided.

This initiative received an on-track despite the lack of data (due to time lags in collection data) that address the performance measures adopted by the 2007 Legislature when it approved this initiative. This initiative will need to be reauthorized since the appropriation was for the 2009 biennium only and the legislative appropriation subcommittee indicated that it wanted to reevaluate program performance prior to continued implementation. This initiative is included in the budget submitted to the Office of Budget and Program Planning as a fixed cost and is allocated to all agencies. LFD staff has worked with DoFA staff to try to determine what types of available data exist to provide some data relative to the performance measures included in the 2007 biennium executive budget and adopted by the legislature.



Version	Date	Author
6101-21-11 - BO - 1	12/5/07	Steinbeck
6101-21-11 - BOW - 2	5/21/08	Steinbeck
6101-21-11 - BO - 2	9/24/08	Steinbeck

Change Description
LFD Narrative
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