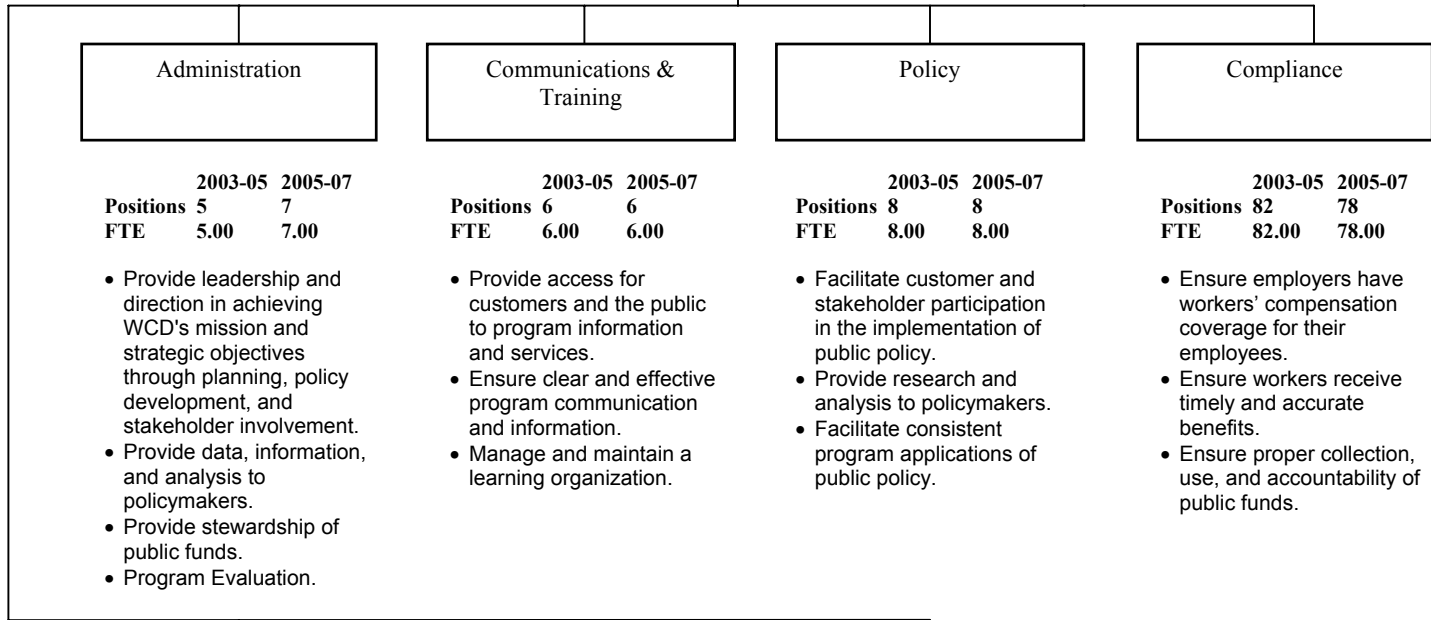


WORKERS' COMPENSATION DIVISION

Administrator
John Shilts
Deputy Administrator
Jerry Managhan



Reemployment & Dispute Resolution Services

	2003-05	2005-07
Positions	81	79
FTE	80.00	78.50

- Ensure workers receive medical, disability, and vocational benefits by providing fair and timely dispute resolution.
- Help return injured workers to work.

Operations

	2003-05	2005-07
Positions	57	55
FTE	57.00	55.00

- Manage workers' compensation electronic and physical records of injured worker claims and employers' proof of coverage.
- Provide operational support to WCD program areas.

Workers' Compensation Assessments

	2003-05	2005-07
Positions	*	14
FTE	*	13.00

- Manage the accounts under which employers report and pay the Workers' Benefit Fund assessment, and under which insurers and self-insured employers report and pay workers' compensation premium assessments.
- Perform account resolution activity (billings, transfers, refunds, error correction, auditing, collections, and enforcement) to ensure timely and accurate assessment reporting and payment.

Independent offices reporting to the Director

Ombudsman for Injured Workers

	2003-05	2005-07
Positions	*	8
FTE	*	8.00

* Budgeted in Central Support Services in 2003-05

Small Business Ombudsman

	2003-05	2005-07
Positions	*	2
FTE	*	2.00

Workers' Compensation Division	
Including Offices of the Ombudsmen	
2003-05	2005-07
Approved	Request
239 Positions	257 Positions
238 FTE	255.50 FTE
\$31,767,543	\$36,384,531

WORKERS' COMPENSATION DIVISION

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 Worker's 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.

Accomplishments, 2003-2005

- **Employers continue to pay low rates:** Average workers' compensation pure premium rates paid by Oregon employers have remained flat for three years (2003, 2004, and 2005), and have been reduced or remained the same for 15 consecutive years. Since 1990, there has been a 57.4 percent reduction in pure premium rates resulting in a \$10.1 billion savings to Oregon employers. Oregon has improved in its national ranking among the states in workers' compensation costs from sixth most expensive in the nation in 1986 to 42nd in 2004, improving by seven steps just since 2002.
- **Increased worker benefits:** Disability benefits for injured workers have continued to increase. Between fiscal years 1987 and 2004, maximum scheduled permanent partial disability benefits increased 347 percent and unscheduled benefits increased 407 percent.

WORKERS' COMPENSATION DIVISION

Temporary disability benefits have increased from a maximum rate of 100 percent of the state average weekly wage to 133 percent of the state average weekly wage. In addition, workers with multiple jobs at time of injury are now eligible for benefits from wages lost from all jobs.

- **Successful return to work programs:** The employment rate in 2004 of workers who used return-to-work programs was 11 percentage points higher than for workers who were eligible for but did not use these programs. Wages for the workers who used the return to work programs were 14 percentage points higher than for workers who were eligible for but did not use these programs.
- **Timely and accurate benefits to injured workers:** Through education and regulation, workers receive timely and accurate benefits more than 90 percent of the time. This is a very high rate of compliance in comparison to other states.
- **Reduced litigation:** The administrative dispute resolution process has continued to keep down the number of claims that require formal hearings to resolve benefit disputes, as well as the time required to resolve these disputes.
- **Permanent total disability:** Assisted the Management-Labor Advisory Committee in proposing a redefinition of gainful employment (used in determining a permanent total disability) and to propose additional limits on the process for rescinding permanent total disability.
- **Insurer medical examinations:** Assisted the Management-Labor Advisory Committee by developing data and recommendations designed to ensure objective insurer medical examinations.
- **Return-to-work programs:** Assisted the Management-Labor Advisory Committee in reviewing and expanding vocational benefits in order to increase return-to-work results for disabled workers.

Streamlining

- Transitioned to reporting of new claims at insurer acceptance or denial to reduce unnecessary notification (estimated reduction of 25,000 notices).
- Reduced claim-error letters to insurers by 37 percent.
- Shortened the form workers use to report a claim to their employer. (Form 801)
- Implemented electronic reporting for insurers to report required employers' proof of coverage.

Improved Customer Service

- Developed a customer service policy and instituted customer service surveys.
- Conducted an educational conference for 335 workers' compensation system stakeholders.
- Improved the division's Web site to better serve a broader group of customers and stakeholders.
- Translated workers' compensation materials into foreign languages for use in bulletins, pamphlets, and on the division's Web site.
- Began posting compliance audit results to the Web site.

WORKERS' COMPENSATION DIVISION

Process Review & Improvement

- Conducted program reviews on return-to-work programs; the division's audit methodology; assessment, collection, and account reconciliation for the Workers Benefit Fund; and employer compliance activities. Developed recommendations for program improvements.
- Launched six process improvement projects suggested by employees.

Anticipated results, 2005-2007

The division will:

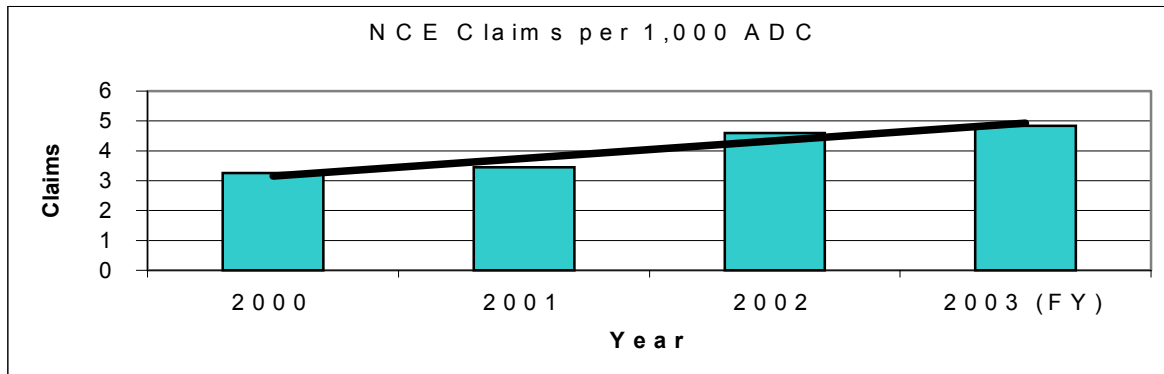
- Help injured workers return to work promptly, at wages as close as possible to their pre-injury wage.
- Provide excellent customer service by resolving disputes and issuing decisions and orders in a timely manner and by providing rapid access to information.
- Protect consumers and workers in Oregon by enforcing the laws requiring employers to provide workers' compensation coverage for their employees.
- Monitor and enforce regulations regarding the timely and accurate payment of benefits to injured workers.
- Continue streamlining efforts to identify areas for process improvement.
- Progress toward electronic reporting of claims instead of the current paper-based process.
- Lead a medical quality initiative to slow the rate of medical cost inflation by developing treatment guidelines for injured workers, training and certification for medical providers, and a feasibility analysis for moving medical billing and reporting into an electronic environment.

Key performance measures and related outcomes

Number of claims against employers without worker's compensation coverage per 1000 total claims. (Indicator of noncomplying employers.)

	2001	2002	2003
Number of Accepted disabling claims	24,406	23,903	22,501
Number of Accepted Noncomplying Employer claims	84	110	109
Number of Noncomplying Employer claims per 1,000 Accepted disabling claims	3.442	4.602	4.841

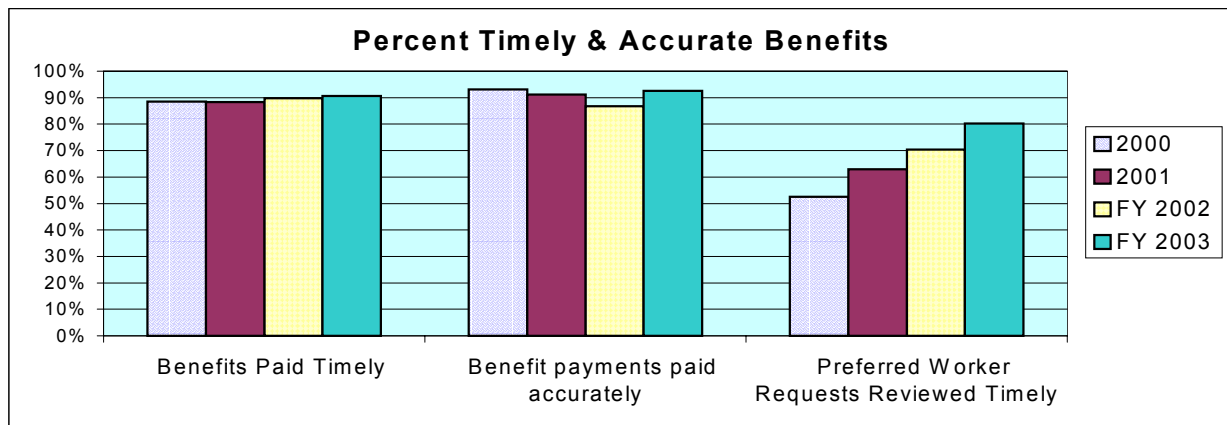
WORKERS' COMPENSATION DIVISION



Recently, the number of accepted disabling claims for insured employers have decreased while the rate of noncomplying employer claims has remained relatively stable during the same period.

Percent of injured workers who receive timely and accurate benefits.

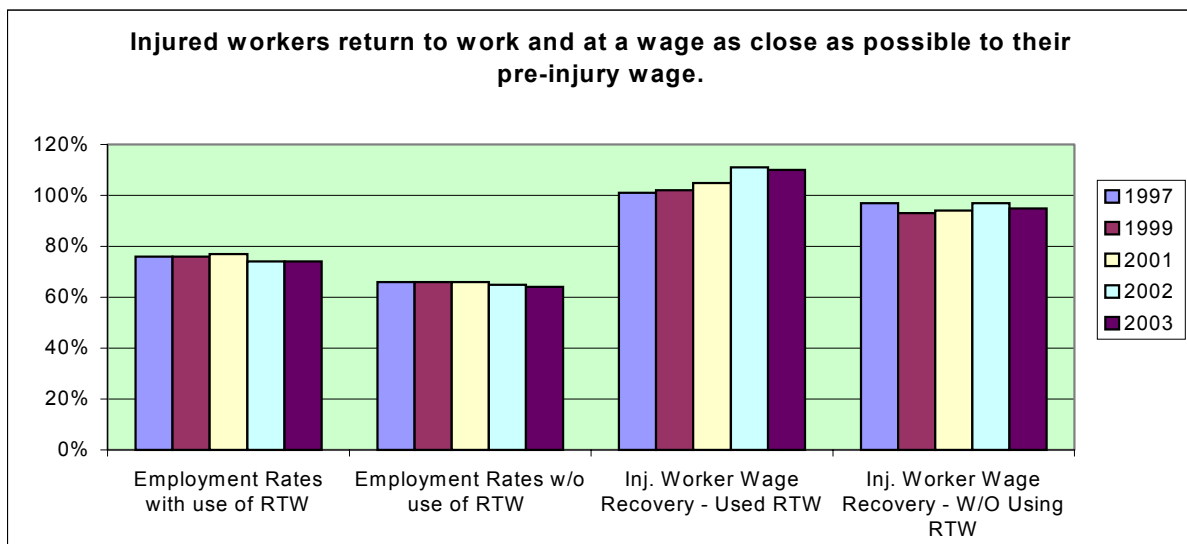
	2000		2001		FY 2002		FY 2003	
Benefits paid timely	26,259	88.5%	18,772	88.3%	20,198	89.8%	18,043	90.6%
Benefit payments paid accurately	3,168	93.2%	579	91.2%	1,628	86.8%	1,496	92.6%
Preferred Worker requests reviewed timely	871	52.6%	872	62.9%	901	70.4%	894	80.3%



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.

Data Description	1997	1999	2001	2002	2003
Employment rates with use of return-to-work	76%	76%	77%	74%	74%
Employment rates without use of return-to-work	66%	66%	66%	65%	64%
Injured worker wage recovery - using return-to-work	101%	102%	105%	111%	110%
Injured worker wage recovery - without using return-to-work	97%	93%	94%	97%	95%



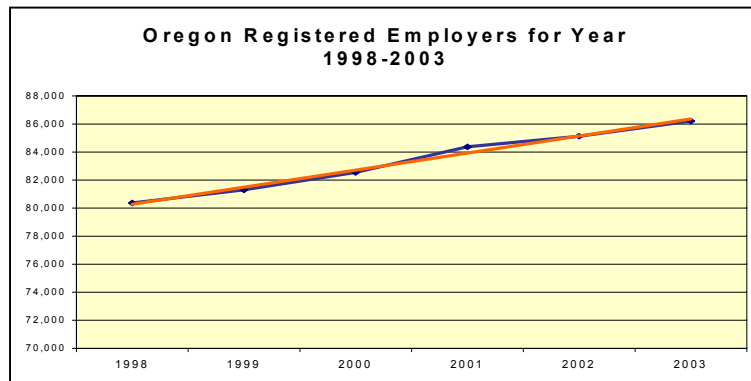
Timely resolution of disputes and issuance of orders

Calendar Year 2001	Percent timely	Calendar Year 2002	Percent timely	Fiscal Year 2003	Percent Timely
8,331	89.0%	8,107	89.2%	7,921	89.1%

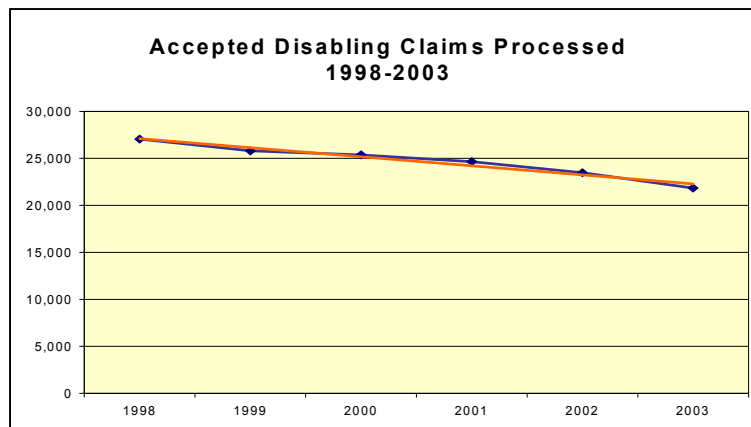
WORKERS' COMPENSATION DIVISION

Workers' Compensation System Statistics

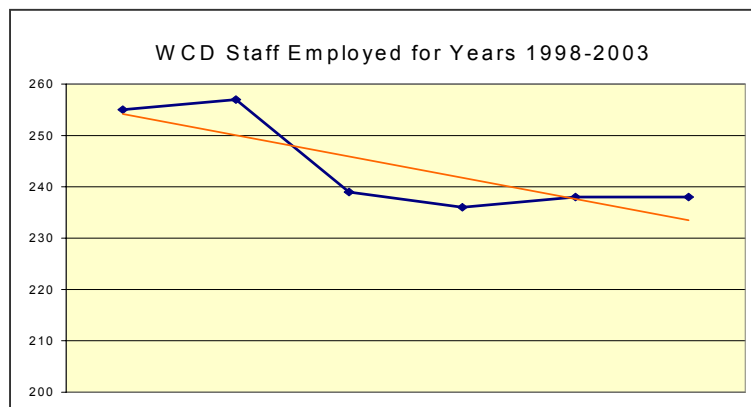
	CY 1998	CY 1999	CY 2000	CY 2001	CY 2002	CY 2003
Registered Employers	80,363	81,296	82,545	84,371	85,127	86,205
Subject Workers	1,575,500	1,597,000	1,624,300	1,613,000	1,595,900	1,584,200
Accepted Disabling Claims	27,049	25,802	25,365	24,645	23,482	21,832
Employers covered by MCO's	52,608	52,048	57,532	58,918	62,457	52,914
Employees covered by MCO's	971,200	991,800	1,118,800	1,103,000	1,164,000	912,000
Preferred Workers Contracts	2,983	2,521	2,064	1,766	1,280	1,114
WCD Staff Employed	255	249	239	238	238	238



The number of employers registered in the state increased 6.8% between 1998 – 2003.



The number of accepted disabling claims processed by WCD decreased 19.3% between 1998 – 2003.



The number of staff employed in WCD decreased 6.6% between 1998 – 2003.

WORKERS' COMPENSATION DIVISION

Governor's Recommended Budget

	Request	FTE
2003-05 Legislatively Adopted Budget	\$ 31,767,543	238.00
Base Budget Adjustments		
Net Cost of 2003-05 Position Actions:		
Administrative, Biennialized E-Board, Phase-outs	\$ 342,403	(5.50)
Estimated Cost of 2005-07 Merit Increase	\$ 652,256	-
Subtotal: 2005-07 Base Budget	\$ 32,762,202	232.50
Essential Package 010—Non-PICS Adjustments		
Vacancy factor adjustment.	\$ 32,479	-
Non-PICS adjustments for unemployment, overtime, temporaries, and mass transit taxes calculated as .006 of base salaries and wages.	\$ 1,146,306	-
Essential Package 030—Cost Adjustment for Inflation and Price List		
Cost of Goods & Services Increase/(Decrease)	\$ 241,953	-
Increase/shift in State Government Service Charges.	\$ (684,087)	-
Essential Package 060—Technical Adjustments	\$ 3,289,790	23.00
Subtotal: 2005-07 Essential Budget Level	\$ 36,788,643	255.50
Policy Packages		
Package 090 Analyst Adjustment	\$ (404,112)	-
Total: 2005-07 Governor's Recommended Budget	\$ 36,384,531	255.50