

Program Structure Number: 020204

Program I.D. and Title: LBR 183, Disability Compensation

Page Reference in the Executive Budget Supplement, Vol. I: None

## I. Introduction

### A. Summary of Program Objectives

To alleviate the economic hardships that results from the loss of wage income due to work or non work-connected disability and provide vocational rehabilitation opportunities and incentives for industrially injured workers.

### B. Description of Program Objectives

1. Monitor employer compliance with disability insurance laws to ensure that employees are being afforded required coverage.
2. Process workers' compensation (WC) cases to ensure that claimants are receiving the benefits they are entitled to.
3. Conduct hearings to determine benefit entitlements to claimants.
4. Provide vocational rehabilitation opportunities to WC claimants.
5. Monitor health care providers and treatment plans to ensure that care and services are necessary and appropriate.
6. Review Prepaid Health Care plans to ensure that statutory standards are met.

A Summary of the Objectives and Activities as Discussed in the Multi-Year Program and Financial Plan.

See paragraph I.A. (Summary of Program Objectives) and paragraph II.A. (Performance Results).

### C. Explain how the Program intends to meet its objectives within the Biennium Budget.

This program will meet its objectives by continuing to:

- Improve the division's information systems to facilitate timely quality customer service.
- Improve programs by clarifying objectives to streamline all processes.

- Empower employees to participate in the creation of the division's vision and improvements.
- Provide employees with tools and training to enable optimal performance.
- Provide customers with information to facilitate their positive participation in DCD program activities.

## II. Program Performance Results

### A. Discuss the performance results achieved by each Program in FY 2008.

Efforts to alleviate economic hardships resulting from work and non-work disabilities include ensuring that employers meet disability coverage requirements and that disability benefits are being paid.

The DCD conducts investigations, audits, and plans review to ensure that employers meet their coverage requirements. Employer investigations increased slightly from 23,276 in FY 2007 to 26,040 in FY 2008 as a result of increased Certificates of Compliance applications from companies requesting to do business with the State and counties. Employer audits decreased from 936 in FY 2007 to 886 in FY 2008 because of the retirement of an enforcement employee and from the increased complexity required in performing financial solvency audits. The number of disability plans reviewed remained constant at 9,889 and 9,948 in FY 2007 and FY 2008, respectively, while the number of newly registered employers decreased slightly from 4,979 to 4,683 during that same period. The total numbers of employers subject to DCD disability laws remained constant (32,900 in FY2007 vs. 33,210 in FY2008).

The DCD's efforts to ensure claimants receive their disability benefits are reflected in claims, hearings, and decisions statistics. The number of new workers' compensation (WC) claims decreased again this year from 27,456 in FY 2007 to 25,717 in FY 2008, reflecting the effectiveness and success of employer safety programs. The number of cases closed by the division decreased from 31,763 in FY 2007 to 27,339 in FY 2008 due to the promotion and subsequent vacancy of the division's control clerk, who was an integral part of the claims closing process. The number of WC hearings decreased from 2,745 to 2,427 in FY 2007 and FY 2008, respectively, while WC decisions also decreased, from 9,456 to 8,811, during the same period. The decreases were from the reduction in the number of claims filed. Within the 60-day statutory requirement, 99.5% of WC decisions were rendered, and 92% of requests for hearings were

scheduled within 80 days of the request. Finally, the number of WC claimants referred to vocational rehabilitation training slightly increased (402 vs. 458 in FY2007 and FY2008).

- B. Explain how these results relate to the program's objectives and department's mission.

The mission of the department is carried out through the department's primary goal of assuring the quality of work-life for workers through economic security and physical well-being. The division's WC, TDI, and PHC programs were established to meet this end.

- Investigating, auditing, registering subject employers, and plans review, are all efforts that monitor employer compliance with disability insurance laws to ensure that the workforce is covered in the event employees become disabled.
- Processing WC cases and closing/reviewing claims ensure claimants receive benefits they are entitled to.
- Conducting hearings and rendering decisions establishes benefit entitlements to claimants.
- Providing vocational rehabilitation opportunities and monitoring health care and treatment plans directly relate to the corresponding program objectives.

- C. Explain how the effectiveness of the Program is measured (i.e., outcome, measures of effectiveness, benchmarks, etc.) and discuss the performance results achieved during the past two years.

The effectiveness of the program is manifested by such measures as:

- The percentage of subject employers in compliance with workers' compensation, temporary disability insurance, and prepaid health care laws, which remained fairly constant (81% in both FY 2007 and FY 2008); and
- The percentage of complaints to claims made under the WC program, which remained fairly constant (0.4% vs. 0.3% in FY 2007 and FY 2008) as did the TDI program (.5% versus .4% during that same period).
- The following means are also used to measure the effectiveness of the WC, Temporary Disability Insurance (TDI), and Prepaid Health

Care (PHC) programs:

- (1) Backlog of branch operations (such as claims processing, case filing, decision rendering, stipulation processing, and hearings scheduling). Operations backlog and timeliness of responses to complaints and inquiries indicate the division's ability to maintain adequate levels of service to the public, and thus ensure that economic hardships of the workers are being alleviated.
  - (a) The WC operations, which include claims processing, filing, hearings, and decision rendering, remained current throughout the past fiscal years. Treatment plan hearings were backlogged for a month due to the lack of clerical support. The backlog in hearing case review increased slightly to 6 – 8 weeks due to personnel retirement and transfer of two (2) employees from that section.
  - (b) TDI and PHC operations that include the processing of TDI and PHC coverage documents, TDI Special Fund claims processing, hearings support, and decision rendering, reduced its backlog from six to three months due to the recruitment and filling of two (2) vacant clerical positions.
  - (c) The audit section's backlog remained constant at ten weeks throughout FY 2008.
- (2) Timeliness of response to public inquiries and requests for assistance.

Timeliness of responses to public inquiries and complaints to the Enforcement Branch remained constant at just under one week throughout the past fiscal year.

- (3) Workers' Compensation costs. The cost of WC is one measure of whether cost-cutting measures and legislation are effective and whether the WC program is being administered in an effective and efficient manner.

Workers' Compensation costs increased slightly by \$4,608,361, or 1.9%, from CY 2006 to CY 2007. No data is available yet for CY 2008. The increase is mainly attributable to an increase in Temporary Total Disability

costs (\$1.95M) and Medical costs (\$5.12M). This increase can be linked to a greater number of days lost (15,415 or 1.62% more in 2007) and an increase in the State average weekly wage.

- (4) Comparisons with other states' programs (e.g. cost per claim). Comparisons with other states and customer surveys provide external input for improvements to services provided to the public and for the objective evaluation of the division's efforts to meet those needs. (No data is available at this time.)
- (5) Customer surveys (as funding permits).

Lack of funding did not permit customers to be surveyed.

- D. Discuss actions taken by each Program to improve its performance results.

The following actions have been undertaken by the division to improve performance results:

- (1) Implemented revised administrative processes to streamline office procedures and workflows;
- (2) Made continuous improvements in communications, office automation, and managerial reporting; and
- (3) Conducted monthly employer orientation workshops to increase employers' awareness of the WC, TDI, and PHC laws and obligations, and to improve employer compliance with these laws;

- E. Identify all modifications to your program's performance measures and discuss the rationale for these modifications.

None.

### III. Problems and Issues

- A. Discuss Problems and Issues Encountered If Any.

Information Technology Procurement. The DCD continues to upgrade its automation system in order to provide greater flexibility, more timely, and useful information to assist the division's service to the public. One of the DCD's strategies to effect this improvement is to implement upgrades to

its automation system, which will enhance the efficiency of its programs' operations. In order to facilitate these improvements, a DCD Information Technology Master Plan was initiated and developed in FY 2002 to define the division's technology direction. The plan contains several projects that collectively represent the vision of the DCD including the following:

- Electronic Data Interchange (EDI) for the Workers' Compensation Forms WC-1 (Report of Injury), WC-3 (Carrier Report) and WC-36 (Proof of Coverage) Projects;
- Mainframe Migration Project; and
- Electronic Historical Records Project;

Since the initiation of the DCD Information Technology Master Plan, the DCD's computer environment has undergone significant hardware and software upgrades which will provide the foundation for these projects.

The Electronic Data Interchange (EDI) projects will allow insurance carriers and self-insured employers to electronically file their WC forms. Electronic filing will decrease the time it takes to file and transmit the reports, thereby allowing injured workers' claims to be processed more efficiently. Furthermore, administrative costs to businesses that are associated with filing paper-based documents will decrease with the adoption of EDI. The DCD has approached and has received the support from numerous insurance carriers for the EDI projects.

Minimal funding in FY 2004 allowed DCD to develop Phase I of the Workers' Compensation Form WC-1 EDI (Form WC-1 EDI) Project. Phase I was introduced to provide insurance carriers and self-insured employers with the opportunity to electronically file the Form WC-1 via CDROM or floppy diskette. During FY 2006, the DCD implemented Phase II of the Form WC-1 EDI project which offered electronic submittals of the Form WC-1 via internet email.

The remaining projects included in the DCD Information Technology Master Plan have been temporarily suspended due to the lack of project funding. In the future, the DCD will continue to seek funding to subsidize the costs associated with these projects.

Of greater concern is the lack of funding required to maintain system and software support requirements of the existing DCD computing environment in the coming biennium. These requirements will ensure that computers, servers, printers, networking equipment, storage solutions, operating systems, application programs, and anti-virus protection are

maintained to facilitate normal business operations.

If these requirements are not met, the DCD will still be able to continue to provide services to the general public for its WC, TDI and PHC programs.

However, any system failures to equipment or applications that are not adequately maintained will result in the downtime of business operations that may significantly impact the level of service to the general public.

**Records Storage.** The division suffers from a serious lack of storage space on a statewide basis for its workers' compensation case records. Currently, the division maintains eight (8) years of closed cases on site and is faced with increasing storage requirements for open case files.

The division is exploring means to file these records electronically (in word processing and optical format) to reduce the storage requirements. The electronic files will create a more efficient means to access information from the closed cases.

**B. Program Change Recommendations to Remedy Problems**

None.

**C. Identify any program issues or problems that have affected or will affect the implementation of the program, and the corrective measures or remedies established or planned.**

None.

IV. Expenditures for Fiscal Year 2008-2009

	Acts 213/07,158/08 FY 2008 - 2009	Collective * Bargaining	Transfers Restriction	Available Resources	Est. Total Expenditures
Pos. Count	117.00			117.00	117.00
Personal Svcs	\$ 5,625,506	\$ 363,990	(257,194)	\$ 5,732,302	\$ 5,732,302
Current Exp	23,287,619			23,287,619	23,287,619
Equipment					
Motor Veh					
<b>Total</b>	<b>\$ 28,913,125</b>	<b>\$ 363,990</b>	<b>\$ (257,194)</b>	<b>\$ 29,019,921</b>	<b>\$ 29,019,921</b>
Less:					
Pos. Count	8.00			8.00	8.00
Special Fund	23,675,713			23,675,713	23,675,713
Pos. Count					
Federal Fund					
Pos. Count					
Other Funds					
Pos. Count	109.00			109.00	109.00
Gen. Fund	5,237,412	363,990	(257,194)	5,344,208	5,344,208

A. Explain all transfers within the Program ID and its impact on the Program.

None.

B. Explain all transfers between Program IDs and its impact on the Program.

The \$49,685 transfer was due to partially eliminating the funding for one (1) Hearings Officer III position in Honolulu in order to offset the 4% departmental budget cut in LBR-902 (General Administration). This transfer will require the division to keep this position vacant indefinitely and will cause an impact for hearings. Although the extent of the backlog can only be determined after a period of time, the impact of the backlog will probably increase, the longer the position remains unfunded and vacant.

C. Explain all restrictions and its impact on the Program

The 4% restriction or \$207,509 imposed on the division resulted in keeping five (5) positions vacant and reducing operating expenses by \$10,000. The five (5) vacant positions [three (3) Workers' Compensation Office Assistants, one (1) TDI and Health Care Branch supervisor, and one (1) Program Specialist] resulted in the following impacts:



- Office Assistant (Hearings Branch). Reduced the amount of throughput for decisions and support to the Hearings Branch supervisor.
- Office Assistant (Cost Review Branch). Eliminated all clerical support to the resolution of WC billing disputes and treatment plan hearings.
- Office Assistant (Clerical Services Unit). Reduced the amount of WC decisions and increased the timeframe in which decisions were issued to claimants.
- TDI/HC Specialist V (Plans Branch). Prevented recruitment of the supervisor who would provide permanent leadership and supervision to the sole branch that handles TDI and PHC records and plans approval in the State.
- DC Program Specialist (Administration). Delayed the progress of the division's Information Technology Master Plan.

V. Biennium Budget Request for FY 2010-FY 2011

	Budget Request FY2009-2010	Budget Request FY2010-2011	Biennium Budget FY2010-2011
Pos. Count	111.00	111.00	111.00
Personal Services	\$ 5,452,772	\$ 5,452,772	\$ 10,905,544
Current Expenses	23,174,470	23,174,470	46,348,940
Equipment			
Motor Vehicles			
Total	\$ 28,627,242	\$ 28,627,242	\$ 57,254,484
Less:			
Pos. Count	8.00	8.00	8.00
Special Fund	23,675,713	23,675,713	47,351,426
Pos. Count			
Federal Fund			
Pos. Count			
Other Funds			
Pos. Count	103.00	103.00	103.00
Gen. Fund	4,951,529	4,951,529	9,903,058

A. Workload or Program Request

1. Description of request, reason for the request, and desired outcomes or objectives to be accomplished.

None.

2. Listing/description of positions requested, and funding requirements by cost category and source of funding.

None.

3. For all lump sum requests, please provide a breakout indicating specific purposes for all planned expenditures.

None.

B. For all position count reductions, please specify whether the positions were filled or vacant.

All affected positions are vacant.

VI. Identify restrictions carried over from FY 2008-2009 as well as additional reductions due to the Department of Budget and Finance's budget ceilings for FY2010-FY2011.

A. Description of the reduction, the reasons for the reduction and the impacts to the objectives to be accomplished by the program.

In addition to the \$207,509 restriction and \$49,685 transfer that was carried over from FY 2009, the division had another \$392,679 reduction to its budget. The total reduction of \$649,873 was to cover \$83,441 of tradeoffs to offset the 4% departmental budget cut in LBR-902 (General Admin) and \$566,432 in additional reductions to meet B&F's budget ceilings.

The \$649,873 reduction, and the six (6) positions identified in paragraph C below, will primarily affect the division's overall ability to service the WC claims and hearings programs, and may delay payments to claimants.

- B. Listing/description of the positions cut including source of funding; please specify whether the positions were filled or vacant.

WC Hearings Officer III (10124) / General Funds Vacant  
DC Enforcement Spec IV (23057) / General Funds Vacant  
DC Enforcement Spec IV (25575) / General Funds Vacant  
WC Hearings Officer V (36473) / General Funds Vacant  
Office Assistant IV (36484) / General Funds Vacant  
WC Hearings Officer V (45125) / General Funds Vacant

VII. Capital Improvement Request for FY2010-FY2011

None.

VIII. Proposed Lapses of Capital Improvement Program Projects

None.