

WSI Overview
Presented by Bryan Klipfel, WSI Director
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WSI Background

Workforce Safety & Insurance (WSI) was established in 1919 as an exclusive state fund for workers compensation insurance. Today, North Dakota is one of four remaining monopolistic workers compensation systems in the United States. The others are Ohio, Washington, and Wyoming.

WSI, a state entity, functions as the sole provider of workers compensation insurance in the state of North Dakota. There are no provisions for self-insurance or private insurance for purposes of workers compensation. If a business has significant contacts in North Dakota, they must insure with WSI.

WSI has 250.14 authorized full-time employees (FTEs). Claims for occupational injury and disease are filed with WSI and adjudicated by in-house agency claim adjustors. Currently, WSI processes approximately 25,800 claims per year. WSI services about 25,000 employers with a covered workforce of 403,000 workers. Annual earned premiums amount to \$314 million per year.

WSI is a special fund agency funded solely by employer premiums, which provides for the payment of medical and wage loss benefits as well as administrative expenses. WSI receives no General Fund dollars.

WSI Positives

Good Benefits. North Dakota's benefit structure is set by statute and compares quite favorably to other jurisdictions. Benefits provided include:

- Lifetime, deductible-free medical benefits related to the work injury.
- Weekly disability benefits ranging up to a maximum of \$1098 per week (125% of North Dakota's State Average Weekly Wage (SAWW) which is \$878 per week).

- A post-retirement benefit (additional benefit payable-ABP) when disability benefits cease at time of eligibility for social security retirement benefits.
- Cost of living adjustments (COLAS). Long-term disability and death benefit recipients are eligible for COLAS after 3 years and receive increases equivalent to the increase in the SAWW. This year's COLA was 10.3% and last year's COLA was 9.9%. COLAs have averaged 5.7% over the last decade and 7.0% over the last five years. The cumulative effect of COLAs over the past five years is a 40.3% increase in benefits.
- Vocational Rehabilitation benefits that provide for up to two years or more of retraining.
- Death benefits of up to \$300,000.

Additionally, numerous benefit and policy provisions have been passed by previous Legislative Assemblies that have served to enhance the benefits and services provided to injured workers **(Attachment A)**.

Good Payor. Based on a recent medical and hospital fee schedule analysis, WSI reimbursement for physician services equates to 189% of Medicare reimbursements and WSI reimbursements for hospital services ranges between 155% (Inpatient) and 169% (Outpatient) of Medicare reimbursements.

Low Premiums. Over the last decade, and before any dividends are issued, North Dakota has continually been ranked the lowest premium state in the country (2012 Oregon Premium Study). Statewide premium rate levels have been stable with small inflationary increases.

North Dakota rates are the lowest in the country and nearly 50% below the median state in the study.

Neighbor states rates compared to North Dakota:

South Dakota—1.9x higher (3.8x higher with 50% dividend factored in)

Minnesota—2.0x higher (4.0x higher with 50% dividend factored in)

Montana—2.5x higher (5.0x higher with 50% dividend factored in)

Other monopolistic states rates compared to North Dakota:

Wyoming—1.7x higher (3.4x higher with 50% dividend factored in)

Washington—2.1x higher (4.2x higher with 50% dividend factored in)

Ohio—1.8x higher (3.6x higher with 50% dividend factored in)

Low incidence of time-loss claims. Time-loss claims account for only 12% of the total claims in North Dakota compared to 20% in other jurisdictions. North Dakota employees have a good work ethic, and if they are injured, they want to get back to work. WSI's Return to Work programs greatly assist these efforts.

Safety and Loss Control. WSI has a dedicated safety/loss control department and provides a number of safety discount programs. Employers meeting the requirements receive additional discounts in premium.

Administratively efficient. WSI has an 8.1% administrative expense ratio (FY 2013). Workers' compensation industry expense ratios typically range between 25% and 35%. As a monopoly, North Dakota does not incur the marketing, broker, tax, and other fees incurred by other private workers compensation insurers.

Unexpended appropriations are returned to the WSI Fund. Historically, WSI staff have been good financial stewards returning to the WSI fund unexpended appropriations in the amount of \$10.4 million in the 2007-09 biennium, \$9.3 million in the 2009-11 biennium, and \$8.4 million for the 2011-13 biennium.

Low litigation. Overall litigation requests represent less than one percent of total claims filed.

Good Service and Overall Customer Satisfaction. Periodic injured worker and employer customer satisfaction surveys independently conducted for WSI consistently rank in the "high" satisfaction category.

Financially Stable. A financially secure fund benefits both injured workers and businesses. Favorable investment returns have resulted in additional surplus growth. Fund investment returns for Fiscal Years 2010, 2011, and 2012 were 11.94%, 13.26%, and 6.14% respectively. The FY 2013 year-to-date return from July 2012 through May 2013 is 10.31%.

State law outlines the required surplus levels which are 20% to 40% of reserve liabilities. WSI's surplus ratio (as of 5/31/13) is at 53.6% (**Attachment B**). To the extent WSI exceeds statutory surplus requirements; dividends must be issued to policyholders. Total dividends declared in eight out of the past nine years have amounted to nearly \$745 million ranging between 40% and 62%, including an approximately \$155 million dividend for the current policy year.

Recent annual financial audits conducted by an external firm have been unqualified and free of findings.

WSI Challenges

Increased Workloads. The increased economic activity within the state has resulted in increased staff workloads. A sampling of workload indicator information comparing 2013 workloads to 2008 workloads is as follows:

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	% inc 08-13
Number of Claims Filed	21,061	20,544	19,388	21,693	24,643	25,781	22%
Claims with Out of State Addresses	2,604	2,766	2,689	3,619	5,383	5,844	124%
Documents Imaged	646,082	724,036	755,471	770,864	778,175	852,361	32%
Total Bills Entered	168,815	173,186	180,640	188,615	217,923	243,653	44%
Avg. Number of Calls per Day	493	495	509	543	668	745	51%
Number of Active Employer Accts	19,777	19,946	20,316	21,552	23,812	24,793	25%
New Employer Applications Received	1,894	1,794	2,008	3,082	4,937	4,205	122%

FY2013 as of June 30, 2013

In summarizing the information, workloads have generally increased between 22% and 51%. The effects of the heavier workloads are compounded by the overall increase in business complexity.

Increased Claim Complexity. Claim processing is becoming more complex. Claims with out-of-state addresses used to account for approximately 12% of all claims. Today, approximately 23% of all claims have out-of-state addresses. Managing the medical, return to work, and vocational rehabilitation for out-of-state claims, and working with out of state medical providers requires additional time and resources.

Increased Underwriting Complexity. Policyholder Services and Underwriting is becoming more complex. The coverage, compliance, and jurisdictional determinations for out of state companies have increased significantly. Delinquent premiums associated with out of state companies have increased as well, making the collections process more problematic.

Safety Focus. Ensuring employers maintain a continued focus on safety in a low premium/high dividend environment continues to be challenging. In addition, the increased business activity has resulted in a demand for more specialized safety and loss control services.

WSI Response to Challenges

Managing the more complex and increased workloads with existing staffing levels while at the same time trying to maintain an acceptable level of service has been a significant challenge. In reviewing periodic performance measurements there has been deterioration in claim and bill processing times, an increase in the number of employers that are not in good standing, and an increase in WSI staff turnover. To help mitigate and reverse these trends, WSI's primary focus over the past six months or so has been to "secure workload relief" for staff. Some steps we have taken include the following:

Process Improvement. We have reevaluated and revamped numerous processes allowing for more efficient processing.

Allocate More Temporary Employees. With the expanding workloads and given our FTE limitations, we have allocated a significant number of temporary employees, or more recently referred to as non-benefitted employees, as the positions have become more permanent in nature. Non-benefitted employees employed as of July for each of the last three years is as follows:

July 2011—7

July 2012—17

July 2013—31

Obtain Legislative Resources. WSI's FTE authority increased from 247.14 in the 2011-13 biennium to 250.14 for the current 2013-15 biennium, a 1.2% increase in FTE authority. There

were seven new positions authorized and four existing positions transferred to ITD resulting in a net gain of three FTEs. The newly authorized positions have been hired or are in the process of being hired.

Evaluate FTE Vacancies. Through attrition and turnover, WSI evaluates FTE positions as they come open to determine whether allocation elsewhere in the organization is necessary.

Evaluate External Contracting. For certain functions we have been looking for outside help. An RFP was issued for premium audit services and an award has been made to two firms. Another RFP is being developed for collections/subrogation services. We are also exploring securing an outside national preferred provider network to assist us in handling the out of state claims.

Historical Workers Compensation Benefit Enhancement Legislation

2013 Legislation

Provided for a study of the preferred provider program (HB 1051)
Strengthened notification requirements for employers participating in the preferred provider program (HB 1052)
Increased benefits for National Guard members who are injured while serving on state active duty (HB 1080)
Expanded definition of law enforcement officer to include peace officers with the North Dakota Parks Department (SB 2134)
Increased vehicle and vehicle adaptation allowance from \$100,000 to \$150,000 (SB 2178)

2011 Legislation

Established a vocational rehabilitation grant program (HB 1050)
Provided up to two years of benefits for workers injured within two years of their presumed retirement date (HB 1051)
Reduced the threshold for percentage of whole body impairment to qualify for a PPI award (HB 1055)
Increased permanent partial impairment awards (multipliers) for the lower impairment levels (HB 1055)
Expanded eligibility for the scholarship program (SB 2114)
Increased the annual cap that the organization can award in scholarships from \$300,000 to \$500,000 (SB 2114)
Increased the maximum scholarship amount payable per applicant from \$4,000 per year to \$10,000 per year (SB 2114)
Streamlined the personal reimbursement process for injured workers (SB 2114)
Expanded eligibility for the educational revolving loan fund (SB 2114)

2009 Legislation

Provided for payment of eyeglasses and other devices if an injury occurs and damages those prescriptive devices (HB 1061)
Provided for an extension of an additional 20 weeks to the current 104-week limit for retraining programs (HB 1062)
Increased the eligibility pool for job search benefits (HB 1062)
Established pilot program to assess new methods of providing rehabilitation services (HB 1062)
Established parameters of liability for medical expenses paid for treatment of unknown pre-existing conditions (HB 1063)
Shortened eligibility period for cost of living adjustments (COLAs) for pre-1/1/06 total disability claims from 7 to 3 years (HB 1064)
Expanded COLA eligibility for pre-1/1/06 claims to include both permanent total and temporary total benefit recipients (HB 1064)
Outlined coverage parameters for emergency volunteer healthcare practitioners (HB 1073)
Increased the maximum disability benefit from 110% to 125% of the state's average weekly wage (SAWW) (HB 1101)
Increased lifetime cap on death benefits from \$250,000 to \$300,000 (HB 1101)
Increased burial expense from \$6,500 to \$10,000 and one-time payments for spouses and dependent children (HB 1101)
Increased the dependency allowance from \$10 to \$15 per week per child (HB 1101)
Increased pre-acceptance disability benefits from the minimum benefit rate to the standard rate (HB 1101)
Increased travel and other personal reimbursements on aggravation claims to 100% (HB 1101)
Provided up to six months benefits for the surviving spouse of a PTD that provided home health care during disability (HB 1455)
Provided that OAH conduct WSI hearings and that OAH's decisions are final (HB 1464)
Provided for a study of the post-retirement benefit structure to be conducted during the interim (HB 1525)
Provided that WSI outline reasons for disregarding a treating doctor's opinion (HB 1561)
Resolution to study workers' compensation laws regarding pre-existing injuries (HCR 3008)
Resolution to study injured worker access to legal representation (HCR 3013)
Established a clear and convincing evidence standard to rebut the presumption clause (SB 2055)
Provided door to door reimbursement of mileage to attend medical appointments (SB 2056)
Established a PPI schedule award for the partial loss of eye sight (SB 2057)
Distinguished an independent medical exam (IME) from an independent medical record review (IMR) (SB 2058)
Provided for attorney fees and costs for review of a claim after OIR completion (SB 2059)
Provided for a rehab training expense for maintaining a second household or traveling more than 25 miles to school (SB 2419)
Provided that WSI make a reasonable effort to designate an IME doctor within a certain radius of worker's residence (SB 2431)
Shortened the time period in which an injured worker can request a change of doctor (SB 2432)
Provided that WSI notify injured workers of work search obligations (SB 2433)

2007 Legislation

Provided funds for the purchase or adaptation of motor vehicles for the catastrophically injured (HB 1038)
Provided increased post-retirement additional benefits for certain injured workers (HB 1038)
Expanded the population that is eligible for death benefits (HB 1038)
Shortened eligibility period for cost of living adjustments (COLAs) from seven years to three years (HB 1038)
Expanded the eligibility pool for WSI's revolving loan fund (HB 1038)
Provided inflation adjustment for long-term Temporary Partial Disability benefit recipients (HB 1140)
Provided funds for the purchase or adaptation of motor vehicles for catastrophic and exceptional circumstance claims (HB 1411)
Provided benefits for firefighters and law enforcement officers in the event of a false positive test (SB 2042)

2005 Legislation

Established additional safety incentives (HB 1125)
Established ongoing funding for safety education, grant, and incentive programs (HB 1125)
Created retraining options for injured workers (HB 1171)
Established an injured worker educational revolving loan fund (HB 1491)
Increased the non-dependency death award (HB 1506)
Increased post-retirement additional benefit payments (SB 2351)

2003 Legislation

Increased lifetime cap on death benefits from \$197,000 to \$250,000 (HB 1060)
Established a \$50,000 home remodeling and vehicle adaptation allowance for catastrophic injured workers (HB 1060)
Increased the maximum amounts for scholarship awards (HB 1120)

2001 Legislation

Increased certain permanent partial impairment awards (HB 1161)

1999 Legislation

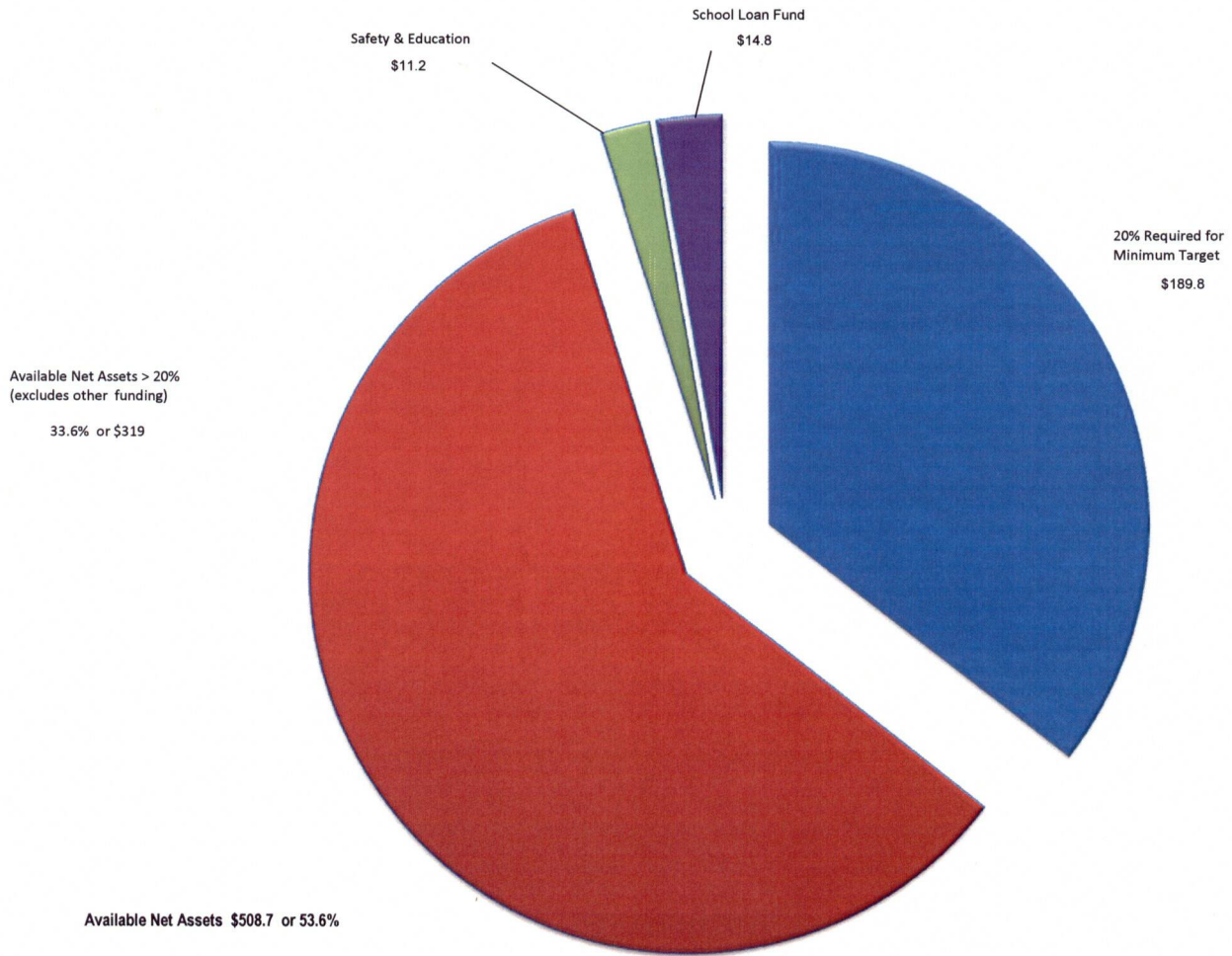
Increased permanent partial impairment awards for the severely impaired (HB 1422)
Increased the maximum disability benefit from 100% to 110% of the State's Average Weekly Wage (SB 2214)
Shortened the waiting period for eligibility for cost of living adjustments from 10 years to 7 years (SB 2214)

1997 Legislation

Increased weekly death benefits for surviving spouses (SB 2116)
Created the Guardian Scholarship program (SB 2116)
Established a post-retirement additional benefit (SB 2125)

Net Asset Detail May 31, 2013

Chart numbers in millions



	Actual June 2011	Actual June 2012	Y-T-D May 2013
NET ASSETS or "SURPLUS"	\$ 393,127,850	\$ 374,604,802	\$ 534,763,149
Estimated Discounted Financial Reserves	814,023,000	865,645,000	948,873,554
Net Assets (Surplus)	\$ 393,127,850	\$ 374,604,802	\$ 534,763,149
2009 HB 1035 Allowable Deductions from Net Assets (Surplus)			
Safety & Education Grants	8,561,019	18,406,760	11,205,749
Revolving School Loan Fund	14,877,759	14,842,186	14,821,186
ITTP/AIM Update	3,035,684	706,652	-
Total Exclusions from Net Assets (Surplus)	26,474,462	33,955,598	26,026,935
Available Fund Surplus	\$ 366,653,388	\$ 340,649,204	\$ 508,736,214
	45.0%	39.4%	53.6%