

**2014 Performance Evaluation Update
Presented by Bryan Klipfel, WSI Director
Interim Legislative Workers' Compensation Review Committee
September 16, 2015**

2014 Performance Evaluation Update

Good Morning Chair Poolman and members of the Committee. My name is Bryan Klipfel, Director of WSI.

The 2014 Performance Evaluation was conducted by Sedgwick Claims Management Services, Inc. and initially presented to the committee on September 8, 2014.

Pursuant to NDCC Section 65-02-30, the evaluating firm is selected by the State Auditor's Office and must have extensive expertise in workers compensation practices and standards.

There were eight elements reviewed: IMEs, fraud, certain aspects of claims processes, vocational rehabilitation, designated medical provider program, narcotic utilization, cost of living adjustments, and PTSD.

The report outlined many positives with our current program. Some of these include:

P.19: "In the majority of the claims, WSI makes good use of the IME to assist with any other issue that is unresolved, or for which they may need guidance."

P.22: "In all instances, the IME physician was licensed in the state in which s/he practiced. The specialty of the IME physician selected was either the same as the claimant's treating physician or was a specialty as well or better versed in the specific injury or issue(s) raised."

P.23: "WSI made well documented attempts to provide the IME appointment date and time within a reasonable timeframe,...."

P.24: "North Dakota IME delayed resolutions are within a reasonable time frame when compared with those of the five comparable jurisdictions we sampled."

P.29: "{WSI} Regularly updates its policies and procedures to address changes in legislative intent"

P.29: "{WSI} Is referring fewer claims for IMEs than what we observed from the other jurisdictions with which they were compared"

P.32: "WSI's use of IMEs has been very cost effective,...."

P.48: "A sampling of claims files suggests SIU is providing timely status reports to the appropriate parties."

P.60: "As demonstrated in Fiscal Years 2008 – 2010, employers have improved their reporting timeliness notably since the {reporting} incentive came into play."

P.60: "In reviewing the data from the above-referenced operating reports, we observed in the earlier years that the rate of time loss claims in the covered workforce was between

.81 and .85 per 100 workers. In the more recent years cited above, that rate declined to a range of from .69 to .70 time loss claims per 100 workers.”

P.63: Table 3.3 indicates higher claim acceptance rates in North Dakota when compared to the other monopolistic states.

P.66: “We observed no trend to deny claims inappropriately.”

P.68: “With relative stability in the average active caseload brought about through the retention of a limited number of non-benefited adjusters, we think WSI has reacted wisely to the trend in claim filings.”

P.75: “Litigation costs in North Dakota as a percentage of overall claim costs are quite low.”

P.80: “In short, by bringing {vocational rehabilitation} services in-house, we estimate administrative savings for the last two calendar years that amount to about \$957,000.”

P.82: “{Vocational Rehabilitation} Plan choices are well-justified”

P.82: “{Vocational Rehabilitation} Cases are appropriately documented insofar as wages at time of injury and expected wages upon successful plan completion”

P.82: “In instances where a temporary partial disability obligation exists, benefit rates are accurately calculated.”

P.83: “We saw frequent communication to injured workers about the Preferred Worker Program”

P.83: “Long-term training programs spelled out all facets of expense and benefits including the rehabilitation allowance, travel, tuition, books, fees, equipment, tools, supplies, etc.”

P.126-127: “In summary, we find that WSI:

- Has developed policies and procedures to address the early and ongoing use of narcotic medications
- Has compiled a formulary that compares favorably to what we observe in the Texas program, a program that has received a favorable review from the Workers Compensation Research Institute”

The report contained 40 recommendations. Seven of these recommendations, either in full or in part, were works-in-progress prior to receiving a recommendation from Sedgwick (**Recs 2.1, 3.2, 4.4, 4.8, 6.1, 6.3, 6.4**).

We concurred with 29 recommendations, partially concurred with 5 recommendations (**Recs 1.3, 1.5, 5.1, 5.3, and 6.4**), and did not concur with 6 recommendations (**Recs 4.1, 5.2, 5.4, 5.5, 8.1, and 8.4**).

As of August 2015, WSI has closed out 26 recommendations and 14 are a work in progress. (**HANDOUT**)

Some of the recommendations related to legislative and policy issues and were considered by the 2015 Legislative Assembly.

Enacted 2015 legislation in response to this evaluation included:

- 2015 HB 1102 contained a provision providing for the use of notice of decisions instead of administrative orders for vocational plan determinations **(Rec 4.8)**, and a provision addressing the limitation of combined earnings and partial benefits for vocational plan participants **(Rec 4.2)**.
- 2015 SB 2060 provided procedures for providers of long-term opioid therapy and established qualifications for payment for chronic opioid therapy **(Rec 6.3)**.

Defeated 2015 legislation in response to this evaluation included:

- 2015 HB 1317 and SB 2256 relating to coverage of Post-Traumatic Stress Disorder **(Recs 8.2 and 8.3)**.

That concludes my report and I am available to answer any questions that you may have.

Workforce Safety & Insurance
PE2014 Performance Evaluation - Status by Element
As of August 27, 2015

Element	# of Recs	Mgmt. Status of Recommendation Implementation		% Closed	Internal Audit Validation ²	
		Closed ¹	In Progress		# Validated	% Validated
Element One - Review of IMEs	8	5	3	63%	4	80%
Element Two - Evaluation of Fraud Investigations	6	3	3	50%	2	67%
Element Three - Evaluation of Aspects of Claims Processes	3	1	2	33%	1	100%
Element Four - Evaluation of Vocational Rehabilitation	8	7	1	88%	5	71%
Element Five - Evaluation of the Preferred Provider Program	6	4	2	67%	4	100%
Element Six - Evaluation of Narcotic Utilization	5	2	3	40%	2	100%
Element Seven - Evaluation of Determination of COLAs	0	0	0	0%	0	0%
Element Eight - Review of Providing Coverage for PTSD	4	4	0	100%	4	100%
Totals	40	26	14	65%	22	85%

1 - Reflects all recommendations that have been closed, and forwarded to Internal Audit for validation (includes fully and partially implemented, and those we did not concur with)

2 - Reflects all recommendations that have been validated by Internal Audit - % Validates is a percent of those that have been closed