

**Workforce Safety and Insurance
Budget No. 485
Senate Bill No. 2021**

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriation	260.14	\$0	\$68,747,842	\$68,747,842
2017-19 legislative appropriation	260.14	0	72,481,659	72,481,659
2019-21 appropriation increase (decrease) to 2017-19 appropriation	0.00	\$0	(\$3,733,817)	(\$3,733,817)

Item Description

FTE position changes - The Legislative Assembly approved 260.14 FTE positions for WSI for the 2019-21 biennium, the same as the 2017-19 biennium. Of the total, 6 FTE positions are underfunded, resulting in a reduction of \$1,012,252 from other funds.

One-time funding - The 2019 Legislative Assembly identified \$7.86 million of one-time funding from other funds for WSI for the 2019-21 biennium, including:

	Other Funds
Claims and policy system (CAPS)	\$7,010,000
MyWSI enhancement project	850,000
Total	\$7,860,000

Claims and policy system - In Senate Bill No. 2021 (2015), the Legislative Assembly authorized one-time funding for a computer software replacement project in the amount of \$6 million. The project is designed to replace core WSI business systems, which support injury services and employer services, with current industry web-based technology in order to improve customer service, enhance system maintainability, and provide enhanced reporting and accessibility to information. The project consists of five phases and 20 smaller projects, or releases. The funding provided for the 2015-17 biennium was for Releases 1, 2, and 3 of the project.

In House Bill No. 1021 (2017), the Legislative Assembly provided one-time funding of \$8,120,097 to continue the computer software replacement project, now known as CAPS. The funding provided for the 2017-19 biennium was for Releases 4, 5, and 6 of the project.

In Senate Bill No. 2021 (2019) the Legislative Assembly provided one-time funding of \$7,010,000 to continue the CAPS project during the 2019-21 biennium, resulting in a total of \$21,130,097 appropriated for the project during the 2015-17, 2017-19, and 2019-21 bienniums. The funding provided for the 2019-21 biennium is for Releases 7, 8, 9, and 10 of the project.

Status/Result

The underfunded positions included 1.9 FTE licensed practical nurse positions and 4.1 FTE residential living specialist positions; however, the positions have continued to be filled because WSI has realized salary savings due to multiple vacant positions.

See the **Claims and policy system** and **MyWSI enhancement project** sections below for a summary of the status of the WSI one-time funding items.

After the planning and analysis phase was completed in June 2015, the remaining four phases of the CAPS project began in July 2015. The four phases include shared components refacing, policyholder services application refacing, claims management system refacing, and program finalization. The shared components refacing phase was completed in February 2017. The estimated completion date for the policyholder services application refacing phase is June 2021.

Of the \$6 million appropriation provided for the 2015-17 biennium, WSI spent \$4,560,510 on the CAPS project. The remaining \$1,439,490 was canceled at the end of the 2015-17 biennium.

Of the \$8,120,097 appropriated for the project for the 2017-19 biennium, WSI spent \$5,052,599 to complete Releases 4, 5, and 6. Of the remaining \$3,067,498, \$406,621 was used for the MyWSI enhancement project while \$2,660,877 was not spent and was canceled at the end of the 2017-19 biennium.

Through March 2020, WSI has spent \$1,631,901 of the \$7,010,000 appropriation authorized by the 2019 Legislative Assembly and anticipates spending a total of \$5.3 million during the 2019-21 biennium, resulting in an estimated total of \$14.9 million spent on the project for the 2015-17, 2017-19, and 2019-21 bienniums.

The expected completion date for Release 7 of CAPS was April 30, 2020; however, due to the COVID-19 pandemic, the new estimated completion date is

the end of July 2020. As a result of the COVID-19 pandemic, the completion dates for the remaining releases are unknown.

The anticipated completion date for the entire project is during the 2025-27 biennium, as each release takes approximately 6 to 13 months to complete. The total anticipated cost of the project is approximately \$29.6 million, including actual costs of \$4.6 million from the 2015-17 biennium and \$5.1 million from the 2017-19 biennium, a projected cost of \$5.3 million during the 2019-21 biennium, and an estimated cost of \$6.5 million during the 2021-23 biennium.

In addition to the \$538,500 appropriated for the MyWSI enhancement project for the 2017-19 biennium, WSI spent \$406,621 on the project by using savings from CAPS, resulting in a total of \$945,121 for the project during the 2017-19 biennium.

Through March 2020, WSI spent \$276,032 of the \$850,000 appropriation provided for the 2019-21 biennium. The agency anticipates spending the remaining amount during the biennium, resulting in a total of \$1,795,121 spent on the project during the 2017-19 and 2019-21 bienniums. The agency anticipates requesting an additional \$925,000 to complete the project by the end of the 2021-23 biennium.

As of June 30, 2019, WSI's actuarially established discounted reserve was \$1.09 billion. Based on Section 65-04-02, the fund surplus target was \$218 million to \$436 million. The fund surplus balance on June 30, 2019, was \$770.5 million, after deducting dividend payments of \$110 million. Of the \$770.5 million, \$14.3 million was committed to safety and education grants and \$14.4 million was committed to an educational revolving loan fund. Therefore, the available fund surplus on June 30, 2019, was \$741.8 million, equivalent to 168.1 percent of the discounted reserve.

The WSI Board of Directors declared a 50 percent dividend for premiums billed in fiscal year 2019. The dividend declaration is based on the fund surplus balance before any reductions for dividend payments. The fund surplus balance used to determine the dividend payments was \$851.8 million, which included the fund surplus balance of \$770.5 million and dividends expense of \$110 million, less \$14.3 million of safety and education grants and \$14.4 million of educational revolving loan fund, equivalent to 178.1 percent of the discounted reserve.

Workforce Safety and Insurance has issued dividend credits in 14 of the previous 15 fiscal years, totaling approximately \$1.4 billion.

MyWSI enhancement project - The MyWSI enhancement project was approved by the Legislative Assembly in House Bill No. 1021 (2017) to create a secure extranet portal for injured workers, employers, and medical providers. The project will add functionality to the existing extranet, integrate claims and policy documents, add forms for collecting information, and add dashboards to access information. The project includes four releases.

The 2017 Legislative Assembly provided \$538,500 of one-time funding from other funds for Releases 1 and 2 of the MyWSI enhancement project for the 2017-19 biennium. The 2019 Legislative Assembly provided \$850,000 of one-time funding from other funds for Releases 3 and 4 of the project for the 2019-21 biennium.

Financial reserves - Section 65-04-02 requires WSI to maintain adequate financial reserves, plus available surplus of at least 120 percent to a maximum of 140 percent of the actuarially established discounted reserve. Available surplus is defined as net assets as stated on the statement of net assets of the agency, but does not include funds designated or obligated to specific programs or projects pursuant to a directive or specific approval by the Legislative Assembly.

If the level of financial reserves plus available surplus determined as of June 30 of any year is:

- Below 120 percent of the actuarially established discounted reserve, the agency may not issue premium dividends, and the agency is to recommend premium rate levels so that the agency is estimated to come into compliance within the following 2 years.
- Between 120 and 130 percent of the actuarially established discounted reserve, the agency may not issue premium dividends.
- Between 130 and 140 percent of the actuarially established discounted reserve, the agency may issue premium dividends. However, premium dividends issued may not exceed 40 percent of the preceding year's premium in any given year, and the level of financial reserves plus available surplus may not be reduced below 130 percent.
- Above 140 percent of the actuarially established discounted reserve, the agency is to issue premium dividends in a fiscally prudent manner so that the agency is estimated to come into compliance within the

following 2 years. However, premium dividends issued may not exceed 50 percent of the preceding year's premium in any given year.

Injured employees dispute pilot program - House Bill No. 1073 (2019) allows WSI to establish pilot programs to assess alternative forms of dispute resolution to resolve disputes with injured employees. Funding of up to \$50,000 from the WSI fund is appropriated to WSI on a continuing basis for payment of organization expenses associated with the pilot program.

Workforce Safety and Insurance has implemented an internal working group to develop the first pilot program, which will focus on claims with conflicting medical information. The goal of the pilot program is to identify and resolve medical issues earlier in the adjudication process to avoid prolonged litigation. A neutral third-party medical professional will review the conflicting medical information in the claim and provide an independent opinion. Participation by the injured employee is voluntary, the neutral reviewer will be agreed upon by all parties, and the parties will be bound by the opinion of the neutral reviewer. Workforce Safety and Insurance has discussed the possibility of North Dakota orthopedic surgeons serving as the neutral reviewers and is developing a contract for these services.

Through March 2020, WSI has not spent any of the \$50,000 appropriation. The anticipated date to begin testing the pilot program with cases is June 2020; however, this date may change due to the COVID-19 pandemic. If the pilot program starts in June 2020, data may be available to analyze in mid-2021. The amount of funding that will be spent is unknown but WSI does not anticipate spending the entire \$50,000 during the 2019-21 biennium.