

2019 SENATE APPROPRIATIONS

SB 2021

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2021
1/9/2019
JOB # 30594

- Subcommittee
 Conference Committee

Committee Clerk: Alice Delzer / Florence Mayer

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

1. Testimony on SB 2021 for Workforce Safety & Insurance
2. Follow-up from the Senate Appropriations Committee meeting & information Request from Legislative Council. (sent by email on 01-14-19)

Chairman Holmberg: Called the Committee to order on SB 2021. All committee members were present. Stephanie Gullickson, OMB and Adam Mathiak, Legislative Council were also present.

Bryan Klipfel, Director of Workforce Safety & Insurance, (WSI): Testified in favor of SB 2021 and presented Attachment # 1, which is a collaboration of 7 issues: 1. WSI Budget Testimony on SB 2021 (Pages 1-5,5A); 2. Budget Information (Pages 6-8); 3. Strategic Map, (Page 9); 4. Strategic Direction (Page 10-11); 5. Benefit & Premium Information (Page 12-19); 6. Detailed Agency Information (Page 20-25); 7. WSI Challenges, Staffing, Technology (Page 26-33).

See pages 1-15 of Attachment # 1 and Exhibits #3-

(22:05) Senator Oehlke: Page 25 is a good place to start this from. Farm workers can be exempted from workers comp. Is that the reason their rates are higher? Because they also provide coverage for that industry? There is no farming tab on this page.

Bryan Klipfel: Not entirely sure. I can research it. For years we tried to get the ag industry to look at workmen's comp, but ag did not feel it was necessary.

Senator Hogue: Page 15 is a Premium Index Comparison to the other monopolistic states. Their rates are about 2 times higher then ours. Did the study do the same comparison with the benefits you pay out? If so can we get that?

(24:17) Bryan Klipfel: The study just looked at premium rates. It is difficult to compare benefits from one state to another. Some comparisons, we are most likely in in the top 25-30% of the states for benefits. I'll see if I can find that information for you.

V. Chairman Wanzek: We operate a couple of different businesses. On the farm side we do not use WSI, but on the same site we operate an additional entity that is an agriculture processing plant. Would that fall under manufacturing?

He was told that the information will be provided.

V. Chairman Wanzek: Do you have farmers that chose to participate?

He was told it was a very low percentage.

V. Chairman Wanzek: We had an incident; one where a worker fell from a bin ladder and hurt himself. I've often wondered if I should look into WSI.

Bryan Klipfel: I think it would be a good thing to look at. We have tried to get more agricultural people involved in worker's compensation and how to get materials out there. It has never gone anywhere.

(27:05) Senator Mathern: One of the things I hear most negative about WSI, is people are not able to get legal representation. No one will take the appeals anymore in our state except a small group. What's going on there? Is there any activity in that regard, to address legal representation?

Bryan Klipfel: We've heard that before, many times. We at WSI, think the injured workers attorneys who are older need to bring in new interns to learn. We are trying to get UND law student interested in being an attorney for workers comp. We've tried to do that, and also trying to work on an intern program with the law school. We just met with two attorneys from Bismarck on that matter. We try to keep an open door and information flowing back and forth. We know it is an issue, trying to get an attorney. I would like to think by the time it goes through our claims adjusters, order process and decision office, that a claim is usually handled correctly. There shouldn't be a lot of mistakes at that point. So we hope that that is the reason for the lack of more worker's comp attorneys.

(30:05) Senator Robinson: Are we still in a situation with independent medical review that we accept the recommendation of the medical providers hired by workforce safety?

Bryan Klipfel: We don't automatically go with the independent medical examination. (IME) When you look at the opinions of the doctors, it depends on the experience of said doctor, the specialty, credentials, etc. Sometimes we may vary from the treating physician and go to the independent medical exams. If there is a discrepancy, we look at that.

Senator Robinson: I've had some experience with injured workers. It's not very independent when they can't bring a medical provider to the table. If we are going to be fair, we should look at that.

Bryan Klipfel: Sometimes an injured worker will complain about having to go out of state to see a medical provider for an IME. We've tried 2 times already to find IME providers in ND. We can't find anyone who wants to do that in ND. Sometimes we will have an out of state doctor come to our state.

Senator Robinson: Is this the issue that the bureau has concerns about? Maybe we need to make some refinement here. This is a predominant concern of injured workers. We say we are independent and we really are not. If we could address that we would add more integrity/credibility to the process. Maybe 2 doctors come together? It is hard to defend when you have an injured worker who feels like there is no hope here.

Bryan Klipfel: I understand that. Probably the positive side of that is as a state we use IMEs a lot less than any other insurance company does, because we trust our process. There are difficult claims, which is where we need an expert in that particular area.

Senator Oehke: We have a fair number of state employees through the federal government, such as national guard folks. If they are volunteering as a fireman or part of a search and rescue team, I know workers comp would take care of the medical if they get hurt in a fire, but what about the loss of wages? Is it a federal responsibility or do they pay the state workers comp?

Bryan Klipfel: For volunteers, if that organization has paid for worker's comp coverage, if they get hurt and can't work the only way they have a payment is if they're covered by that before they get hurt. An example is if you are a farmer, and you volunteer for a rural fire department and you get hurt, we'll pay the medical. As far as the wage loss, we won't pay for the wage loss unless the farmer's had workmen's comp. in your business that you volunteered from. The federal government doesn't pay any state workers comp coverage. I'm not quite sure how that would work.

Senator Bekkedahl: Have you had discussion with your staff about how we used to call PTSD, but it's now PTSS issues. If there are external injuries, PTSS symptoms may get benefit. But if the injuries are not external injuries, they are not considered injured by the WSI standards. Do you have anything on that? You see some pretty horrific things that may not show externally with an injury.

Bryan Klipfel: That has been an issue ever since I've been in WSI. We've had people in the past have mental issues due to being robbed multiple times, there's no way to cover the mental injury. WSI did put some legislation in to cover that, it was defeated. We have also looked at PTSD with first responders. Mental injuries can take years and years to resolve. PTSD can be cured or put in remission. We tried a number of times with legislation, but all that has been defeated too. You have to have a physical injury which has to be an over 50% cause of why you're having a mental injury before we will pay it. That is in the statute.

(39:16) Senator Grabinger: My question has to do with the volunteer firefighters. You cover the medical, but not their salary. Is that only those who the city is paying for? That's not everybody?

Bryan Klipfel: Most volunteer organizations pay the workman's comp. But if you do get hurt as a volunteer, and you can't go back to work, we pay the medical. We will pay workers comp for your salary if you get hurt as a volunteer under someone who has that coverage. However, if you don't have workmen's comp coverage (such as farmers and ranchers), and you get hurt, there would be no wage loss only the medical.

Senator Grabinger: The only way we can help that, is if that person takes out their insurance with workmen's comp. We are in a rural state. This is a danger for a lot of people. I am wondering how they can be covered.

Bryan Klipfel: It would be a law change to make covering these people mandatory. Most insurance companies would be the same way; they won't pay wage loss unless you had previous coverage. I understand your point. These volunteers are needed in rural communities and a lot of them will be ranchers or farmers. If you want to give us a call and see if there's a way to do it. But as of now, it is not.

(43:00) He continued with the budget issues. Attachment # 1 – page #4 Budget Recommendation Table. Talked about CAPS Claims and Policy System.

(47:43) Senator Dever: Regarding those 12 FTE's transferred to ITD. They will be housed in the agency where they were? Where will their salary come from?

Bryan Klipfel: The 12 being transferred will work at WSI, they will just be ITD employees. We just transfer our salary dollars to vender dollars. One of my fears is, right now, is the costs are break-even. But there's going to have to be some sort of increase in cost. They will have to have HR costs, supervisor/manager costs. There will be additional fees on top of the salaries that we have. We need to take a look at that.

He continued on page 5 of Attachment # 1. Overview of the budget and optional requests. He concluded with page 26, Exhibit 7, in Attachment # 2. Page 30 of Attachment #1- Specifics on IT information.

In closing we support the appropriation as outlined by the Governor's recommendation.

(57:00) Chairman Holmberg: Any other additional questions? Is there anyone else who wishes to testify on SB 2021? Seeing none, we will close the hearing. **The subcommittee on SB 2021 is Senator Oehlke, Chair., Senator Hogue and Senator Grabinger.** The hearing was closed on SB 2021.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2021
1/23/2019
Job # 31279

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning / Marne Johnson

Explanation or reason for introduction of bill/resolution:

AN ACT to provide an appropriation for defraying the expenses of workforce safety and insurance; and to provide for a report to the legislative assembly.

Minutes:

No Attachments

SB 2018 – Historical Society (sub-committee: Erbele, Krebsbach, Mathern)

- \$500,000 in private funds to support historic sites. Heavy lift for local & friend's groups.
- Whitestone Battlefield Monument – more fitting monument for Native Americans – revisit & hoping for \$200,000
- Need \$260,000 – Comstock litigation (legal fees)
- SB 2146 Pioneer Village location. Are they asking to build turnkey museum? New building would not be part of the emergency.

SB 2019 – Parks and Recreation (sub-committee: Sorvaag, Bekkedahl, Mathern)

- Request for \$5M for the Peace Gardens – Canada hasn't contributed much.
- \$1.8 capital projects
- Line item transfer
- Dept manages a lot of land that produces oil revenue. Does the law allow them to put that into their budget and use it? Are we evading the legacy trust fund because it's being sent directly to the agency?

SB 2020 – Water Commission (sub-committee: Lee, Sorvaag, Robinson)

- Hold off on anything with Fargo Diversion – meet with them tomorrow
- New money available for projects with January revenue forecast - \$350.7M.

- Requests were \$700M.
- Governor's recommendations to be added to the executive budget – Authorizes the agency to transfer money between lines (line item transfer). Section 5
- Different purposes of how water is allocated.
- Amount of money being carried over and not being used. \$308.3M carryover

SB 2021 – Workforce Safety and Insurance (sub-committee: Oehlke, Hogue, Grabinger)

- Coverage for volunteer firemen – would like to see in separate bill for policy
- WSI could do better job of letting people know how much coverage they have.
- Shifting 12 FTEs to IT
- Process used in independent reviews – are suspect.

SB 2022 – Retirement and Investment Office (sub-committee: Poolman, Wanzek, Robinson)

- Software Update

SB 2023 – NDPERS (sub-committee: Krebsbach, Poolman, Robinson)

- Restore the program for an FTE at \$186,000
- Discontinuing 2 program areas in order to meet 90% budget reduction, but recommend that at least one be restored and ½ of funding they requested be restored.
- Have some temporary help & dollars restored
- Maybe a self-funded plan.
- Governor's health insurance plan proposal for 3 different options.
- Pension plan recovery

SB 2024 – Deficiency (sub-committee: Dever, Lee, Mathern)

- The legislature has moved away from wanting to pay back DAPL loan.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2021
1/29/2019
Job # 31710

Subcommittee
 Conference Committee

Committee Clerk Signature Rose Laning / Carie Winings

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Testimony Attached # 1 – 2

Legislative Council: Chris Kadrmaz
OMB: Becky Deichert

Chairman Oehlke: Called the sub-committee to order on SB 2021. **Senator Hogue** and **Senator Grabinger** were also present.

Senator Oehlke: Asked Bryan to go thru any funding changes to the bill.

Bryan Klipfel, Director of Workforce Safety & Insurance (WSI): See Attachment #1 for worksheet on Base Level Funding Changes. The Governor's budget recommendation is where we want to be. (Reviewed Base Level Funding Changes.) Our FTEs stay the same except for the 12 we are transferring to ITD; which brings us down to 248.

(3:21) Senator Oehlke: I put a note beside that, that 7 were funded and 6 were unfunded. What does that mean?

Bryan Klipfel: I think that is because last session we were asked to cut 7 FTEs out of our budget, and the House Appropriations said they would give us the 7 back. This time they were going to cut 13 FTEs (which was the 5% reduction) but they stated they would only fund 7 of them. Leaving 6 unfunded.

Senator Grabinger: The biggest request is the \$7 million for the caps. When are we done with that? And at what point do we quit funding this?

Bryan Klipfel: It is a project that is probably going to last for a couple more biennium yet; at least until we get it done. It is a major undertaking. We have a pretty robust system where we handle claims and policies coming in. This systems replacement is taking piece by piece of our current project and it on an outdated power builder platform and they want to put it on a .net platform. They are taking it piece by piece and so it's a continual improvement in our

project but it is going to take a little bit longer to do it that way. In the past, like with the Aon project, they would shut the old system of and give us a new one. That does not work. That is a process you are always going to have trouble with. We feel better on this project even though it will take a little longer and take extra dollars.

Senator Grabinger: Who is doing the work in this? Also, if we cut the funding off, what would be the complications or the impact to your department?

Bryan Klipfel: If the funding was cut off then our whole processing system would not be there. We wouldn't have one. We would have pieces of it. To manage our claims would be difficult because they have not done that part yet. The other good thing about going with the project as we are doing it now is the ability to incorporate improvements that come out as they are transforming our project. If it doesn't work, we could have problems with our whole system of handling our claims and policy. We have company called Service Logic that is doing a lot of the work, and we also work with ITD.

Senator Grabinger: The reason I raise this is that we are all kind of cautious because of what went on in Secretary of State's office in the past with IT. It seems like it is a never ending funnel. When we look at the price, this is a lot of money. It might be critical to your operation, but it is a lot of money. We have tried to get our system replaced for a long time, and we have finally found a method that is working well.

Senator Hogue: I would like you to tell me about one of your graphs – Tab 5 of initial testimony. It is a comparison of your premiums compared to other state. You see that Wyoming is 130% higher in rates than North Dakota, and SD is 110% higher. I am trying to figure out; could you be that much more efficient? Are you building up your reserves? Or, are you not paying your injured workers as much as these other states? How can our rates be less than half ½ of Wyoming? They are comparable to us.

Bryan Klipfel: Those are some really good questions. Our benefit structure for injured workers is hard to compare, but we have had studies done in the past. We're in the top third. We have a good benefit structure. That has a lot to do with the benefits that the legislature says that we should be administering to our injured workers. The 2nd reason that I think we have a better system, and it may go back to our computer system, is that we have a really good system to handle claims. When a claim comes in, we have a claim adjuster that manages the claim right away, and we have processes in place to make sure that hopefully the employers and injured workers file the claim right away. If you can get that claim filed right away and taken care of, and if you have a good system to manage the care of it quickly you are going to cut your claim costs down a lot.

Senator Hogue: Are we being too stingy with the injured worker? When I look at these numbers, these are off the charts. When all of the states are over 100% higher than us. It seems that you can't explain that by being administratively efficient and having a better system. Is it going into reserves? Are we paying out our medical providers more?

Senator Oehlke: I bet I know the reason. Notice that it says the rates before any dividends. I don't believe there is a dividend structure with WSI. It is more like a penalty structure, is it not?

Bryan Klipfel: No, we have a couple ways we can reduce the premium.

Senator Oehlke: I bet these rates are much closer than what this looks like here.
(Attached 1 – page 21 of initial hearing testimony)
This might not have been the smartest way to put these rates on here.

Bryan Klipfel: We are looking at North Dakota rates before the dividends and we are just comparing to the other states. I don't know if they offer any dividends or not. We are saying that in the past year we were able to offer premium dividend, however when we make these comparisons, we are looking at the cost of the premium without the premium dividend in there. It should be pretty accurate that those other areas are higher than we are.

Senator Oehlke: I think to really make a comparison you almost need to find someone that does business in both states. You could get a business that has a laundry list of claims and it will cost them more for coverage, and you get that same kind of business down the road that does not have claims for whatever reason and they will have better rates.

Senator Grabinger: Are we really being impartial when we are making the decisions on these claims? I have seen data that showed that 50% were in favor of WSI and 13% went in favor of the claimant. This is with your doctors outside that are giving you your opinions. Obviously, that's a big difference. Who is getting the best benefit out of that? That could play a part in this. That is one of the things that I have heard about; that it is hard to get anything on a claim. I have had to go to the Governor's office myself to try and help some people because of the system. I am frustrated with that. think I'm reading into that as part of this as well. Am I wrong in that?

Bryan Klipfel: In that interpretation, I'd say you're wrong. On the rates, the state of Oregon studies each one of the states and it is supposed to be comparing rates from state to state.

Cindy Ternes, Director of Finance, Workforce Safety & Insurance (WSI): Wyoming, Washington and Ohio are not monopolistic. They are not run quite like WSI. WSI is purely monopolistic. I know that Wyoming has some other agencies and functions that we in North Dakota have separate agencies for. I know Washington has some life insurance blended in with that. We are purely workers comp. Ohio has different traits that we do not do. When we say that we are administratively efficient, I think we stick to our knitting and don't have bits here and there. You are on page 15, but if you look on page 12, you can see that this is the Oregon study. We don't have any input in this – our benefit structure is better and we pay more than most of these other states. Especially the monopolistic states. They don't stick to pure workman's comp like we do.

Senator Oehlke: Between 2008-2009 I was personally interested in this because there were a lot of states going away from the monopolistic approach. I think at that time there were 7 or 8. As it turns out, South Dakota had just made the change a year or so before that. When I talked to them, they were excited because the rates have gone down. It is way

more competitive than the open market type system. Now, there base rates are higher than North Dakota. You can't just always look at a chart like this.

Bryan Klipfel: I would like to get back to a comment by Senator Grabinger when he was referring to the decisions of 50% in favor of WSI and 13% in favor of worker; that was a performance evaluation that was done at WSI and it has to do with independent medical examinations. That same study said that North Dakota uses very few independent medical examinations compared to other states. So, the ones that we do submit to the IMEs are ones that there is quite a bit of gray area where they need interpretation. I don't think that reflects on WSI and the way we handle the claims. I think it is a process that we don't use IMEs a lot, and the ones that we do use have a lot of gray area. That is why it comes back in favor of WSI.

Senator Grabinger: You don't think that since WSI is paying for the IME, that we're getting a benefit by being the ones that are paying the bill rather than the claimant.

Bryan Klipfel: If they are supposed to be independent medical examinations, that is what the companies do. We pay very well for other providers. We pay for doctors. We are 180% of Medicare, so we pay those doctors that are treating injured workers more too. I don't think so. They're supposed to be unbiased, and really when they look at the opinion between the treating doctor and the IME, they look at the duration of treating, specialized doctor or not and they compare those things before they make the decision.

Senator Grabinger: From seeing that information, it doesn't look good. It looks like this is lopsided too far to one side.

Bryan Klipfel: I think the reason for that is because of the very few that we do use. I think overall, when you look at injuries that come in, 92% are accepted by WSI. That is a high percentage.

Senator Hogue: I don't think the IMEs are that critical. They are just offering an opinion to a hearing officer I take it, and the hearing officer is making a recommendation. I would be more interested to know how many time - if the hearing officer makes 100 opinions, how many times does WSI go against the recommendation of the hearing officer?

Bryan Klipfel: If you are talking about the administrative hearing process, very seldom will we appeal a decision in favor of the worker. Unless there is something obvious where we felt there was a mistake made. Most of the time, if the injured worker wins at the administrative hearing level, we generally don't go much farther than that. We just have a low percentage that we take up to district or supreme court.

Senator Hogue: I would be interested in that. WSI can accept the independent physician or not. I don't think that WSI is biased, but that's what you'd look at if you did. You would look at how many time you have taken on the decision of the independent hearing officer.

Bryan Klipfel: The process that we have to handle the injured worker; it comes in, the claims adjuster manages it, we have nurse case managers, we have vocational rehab, etc. Once the decision is made to accept or not accept, we issue an administrative order and it

goes over to the decision review office and they look at it again. If the decision review office feels there is no change they certify that as done and the attorney can take a look at that for \$500 to see if there is a case to go forward or not. There is a lot of catch-all in there before we even go to the administrative hearing level. I would assume, at the administrative hearing level, that we would win a majority of the time. We can get the numbers for you.

Cindy Ternes: I have a few of those numbers. When we were talking earlier about number of claims accepted, we are at between 91-92% over that last few years. There are very few that are denied. There would have to be a reason to be denied. The litigation rate, or hearings requested; the lowest number was 234 and the highest was 357. We have about 26,000 claims a year, so you are looking at less than 2% that are actually litigated. The number of hearings held per year is 164 to 188 over the last 4 years. We have monthly meetings with the Department of Review and when that director talks with us, his numbers are all down. If workers are unhappy, they do have the ability to go, and we pay the first \$500 of their legal fees to go and get help. If they are not doing that something is good. On Page 3 of the actual testimony that was handed out, there is a worker satisfaction survey. This is done by an independent firm. They can call any injured worker that files a claim. This is on a scale of 1-5, and currently we're at 4.13.

Senator Hogue: Those are all helpful. But, in rebutting someone's suggestion that the bureau is biased – I get that you accept over 90% of the claims, but if you wanted to drill down, to what happens when an administrative person makes a decision. Are you bound by that decision?

Cindy Ternes: I am not the legal person.

Bryan Klipfel: No we are not. We can appeal to the district court and then we can ultimately go to the supreme court if necessary.

Senator Hogue: To me that would be the best rebuttal that you could have.

Bryan Klipfel: I would venture to say that those numbers are very low. It's just a hand-full that we appeal every year. We will get you those numbers.

Senator Grabinger: For somebody who wants to appeal the decision of WSI and wants to go to court, is it true that the difficulty is getting an attorney to take that case against WSI? I have heard that more and more attorneys are backing away from taking these cases.

Bryan Klipfel: We have heard the same thing. Mainly from the injured worker attorneys that we deal with. We have meetings with them occasionally to see if there are any issues that we can resolve. They say that there are not a lot of injured worker attorney's around anymore. We were asked in our budget hearing what we are doing to get more attorneys. We've done a number of things. We have gone to UND law school. My question is what are the injured worker attorneys doing? What are they doing to get more people in their business? Do they have internships available? If the numbers are down, they need figure out how to get numbers up. If it is because they cannot make any money, then it needs to be looked at. There are always gray areas, but I think we still do a good job trying to figure it out before we go to hearing. We don't want to get into that legal process. It is more

adversarial. We're trying to look at an alternative dispute solution. Maybe put another step in for the injured worker. The Office of Administrative Hearing takes a long time to make a decision so we are trying to figure out a way to get those decisions done sooner too.

Senator Grabinger: How far does \$500 go if someone is looking to go to court? Many workers are living paycheck to paycheck.

Bryan Klipfel: That \$500 for an attorney to review the claim to see if they feel there is a case that can move forward. If they move forward and prevail, they get paid and if they lose they don't.

Senator Oehlke: Closed the sub-committee on SB 2021.

(See Attachment #2 for additional information submitted to the sub-committee.)

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

SB 2021
2/6/2019
Job # 32251

- Subcommittee
 Conference Committee

Committee Clerk Signature Rose Laning / Carie Winings

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Testimony Attached # 1 – 2.

Legislative Council: Adam Mathiak
OMB: Stephanie Gullickson

Senator Oehlke: Called the sub-committee to order on SB 2021. Senator Hogue and Senator Grabinger were also present.

Adam Mathiak: See Attachment #1 for the Base Level Funding Changes.

Senator Oehlke: Asked if there was anything to add to what was already presented.

Bryan Klipfel, Director, Workforce Safety and Insurance: See Attachment #2 for follow-up information to the sub-committee. We had a good discussion last time.

(2:36) Senator Oehlke: Could there be an effort on the part of WSI to get information out to people who have the option to opt out of WSI? I am thinking about the ag community for one, but individual proprietors as well. If I decide I want to be an independent handyman and just work on my own with no employees and I get injured, if I don't have workers comp, I am kind of out of luck. I don't think they typically understand that. I don't think they understand that the rates probably are not that extraordinary.

Bryan Klipfel: I agree that we could do better in that arena. We did try about 3-4 years ago to get the ag community involved. We went some of the ag shows and put some things in the soybean magazine and others, to talk about workers comp and coverage that would be ag related. There wasn't really interest at all. A lot of it had to do with the fact that the ag economy wasn't doing all that well after coming down from the peak years. We've tried, but we can try to do better effort for agricultural carriers.

Senator Oehlke: I know the two big groups in North Dakota are Farmers Union and Farm Bureau. We get correspondence on those regularly even though we are not all farmers, but

I have yet to see anything in those publications relative to Workman's Comp. Those periodicals reach every ag person in the state plus, and maybe that would work.

Bryan Klipfel: We can look at advertising in those publications. I too think it is a great program for one of the most dangerous professions there is.

Senator Oehlke: The premiums are based on payroll, so if you are having a bad year and there are not any crops you probably are not paying payroll either so you don't have that exposure. It doesn't have anything to do with the budget bill but I encourage it.

Senator Oehlke: (Referring to Attachment 1) It basically updates the payroll that we agreed on as a committee here and also takes care of the health insurance increase. I know you were very concerned about the fire department thing.

Senator Grabinger: I think if you do a little more to get the message to the firemen so they can be covered. If one gets hurt, they have something to fall back on. I understand that most of them have some coverage, but some of them don't have gap coverage that would cover their salaries or some kind of an income.

Cindy Ternes, Director of Finance, WSI: I see the salary increase and the health insurance, but the retirement contribution; if salary goes up that retirement will need some funding added to it as well.

Senator Hogue: It's all in PERS.

Levi Kinnischtzke: Based off my understanding of the direction from leadership, the Senate will not be going forward with any of the retirement contribution increases proposed in the executive budget.

Cindy Ternes: My thought is, if we have a salary increase, there will be a percentage tied to that salary that will have to go to the retirement fund. That will need to come from somewhere. Typically, the employer pays the bulk of that.

Levi Kinnischtzke: That's typically built into the salary increase portion. It does not need to be a separately identified number. It should be in there.

Cindy Ternes: We'll watch for that.

Senator Oehlke: Thanks for that insight. Anything else? (Bryan had nothing else.) Do we need an amendment for this?

Levi Kinnischtzke: If you give direction, I can draft the amendments, bring them to the subcommittee, and then can bring to the full committee.

Senator Oehlke: All we really need to deal with are the changes in 2 and 3 percent and the health insurance.

Levi Kinnischtzke: To that point. Those are the only things that have been addressed officially. My understanding is that the base payroll changes are universally for each budget being brought over and being amended. I have not heard specifically from the Senate what the decision is on the IT unification effort. I am not sure if the sub-committee has additional insight on that. The other items that you see on the left hand side of long sheet; the last item

on the bottom, the Microsoft Office 365 license, that is something that each budget will be going forward with. The other items, that include the underfunding of 6 FTE positions from the executive budget, reducing funding for other operating expenses, and the two one-time funding items for the CAPS replacement project, and the myWSI enhancement project, those are all recommendations from the executive budget. They are currently not in the introduced version of SB 2021. So if the committee wants to go forward we would need to add that to bill. Otherwise, we don't have to do anything.

Senator Hogue: The sub-committee's intent is to follow executive budget except for the salary and the health insurance. On the IT unification and the underfund of the 6 FTEs, I think we are going along with the executive budget.

Senator Oehlke: The general opinion on, as far as I know, the IT unification is pretty critical. We want everyone to be a team player.

Levi Kinnischtzke: I asked about the IT unification, although we have not received any clear indication from Senate leadership, The House has decided to not go forward with IT unification. At least before crossover. It may be addressed after crossover. In terms of the total budget, if the subcommittee wants to go forward in the executive budget, you can make a motion to include what is in the executive budget and I can draft the amendment to you and you can bring it forward to the full committee.

Senator Grabinger: Moved to go forward with the executive budget recommendations except the salaries and benefits.

Senator Hogue: Seconded.

Senator Oehlke: Aye.

Senator Hogue: Aye.

Senator Grabinger: Aye.

Motion Carried.

Senator Oehlke: Closed the sub-committee on SB 2021.

2019 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2021
2/12/2019
Job # 32570

- Subcommittee
 Conference Committee

Committee Clerk: Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance

Minutes:

Amendment # 19.0234.01002.

Legislative Council: Brady Larson
OMB: Stephanie Gullickson

Senator Oehlke: moved amendment 19.0234.01002
Senator Wanzek: seconded the motion.
Voice vote carried.

Senator Oehlke explained the amendment.

Senator Hogue: Moved Do Pass as Amended.
Senator Bekkedahl: Seconded the motion.

A Roll Call Vote was taken: Yes: 14 No: 0 Absent: 0.
Motion carried.

Senator Grabinger will carry the bill.

SK
1002

PROPOSED AMENDMENTS TO SENATE BILL NO. 2021

Page 1, line 2, after "insurance" insert "; and to provide for a report to the legislative assembly"

Page 1, replace lines 8 through 13 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Workforce safety and insurance operations	\$63,473,062	\$5,198,693	\$68,671,755
Total special funds	\$63,473,062	\$5,198,693	\$68,671,755
Full-time equivalent positions	260.14	(12.00)	248.14"

Page 1, line 14, after "**FUNDING**" insert "**- EFFECT ON BASE BUDGET - REPORT TO SIXTY-SEVENTH LEGISLATIVE ASSEMBLY**"

Page 1, line 15, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 16 through 21 with:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
Claims and policy system replacement project	\$8,120,097	\$7,010,000
MyWSI extranet enhancement project	538,500	850,000
Internal reporting system	275,000	0
Electronic payment processing system	75,000	0
Total other funds	\$9,008,597	\$7,860,000

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. Workforce safety and insurance shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Workforce Safety and Insurance - Senate Action

	<u>Base Budget</u>	<u>Senate Changes</u>	<u>Senate Version</u>
WSI operations	\$63,473,062	\$5,198,693	\$68,671,755
Total all funds	\$63,473,062	\$5,198,693	\$68,671,755
Less estimated income	63,473,062	5,198,693	68,671,755
General fund	\$0	\$0	\$0
FTE	260.14	(12.00)	248.14

2021

Department 485 - Workforce Safety and Insurance - Detail of Senate Changes

	Adjusts Funding for Base Payroll Changes¹	Adds Funding for Salary and Benefit Increases²	Unfunds 6 FTE Positions³	Adjusts Funding for IT Unification⁴	Reduces Funding for Operating Expenses⁵	Adds Funding for Microsoft Office 365 Licenses⁶
WSI operations	<u>(\$1,821,876)</u>	<u>\$2,359,968</u>	<u>(\$1,012,252)</u>	<u>\$130,041</u>	<u>(\$2,332,176)</u>	<u>\$14,988</u>
Total all funds	(\$1,821,876)	\$2,359,968	(\$1,012,252)	\$130,041	(\$2,332,176)	\$14,988
Less estimated income	<u>(1,821,876)</u>	<u>2,359,968</u>	<u>(1,012,252)</u>	<u>130,041</u>	<u>(2,332,176)</u>	<u>14,988</u>
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	(12.00)	0.00	0.00

	Adds One-Time Funding for the CAPS Replacement Project⁷	Adds One-Time Funding for the MyWSI Enhancement Project⁸	Total Senate Changes
WSI operations	<u>\$7,010,000</u>	<u>\$850,000</u>	<u>\$5,198,693</u>
Total all funds	\$7,010,000	\$850,000	\$5,198,693
Less estimated income	<u>7,010,000</u>	<u>850,000</u>	<u>5,198,693</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	(12.00)

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent on July 1, 2019, and 3 percent on July 1, 2020, and increases in health insurance premiums from \$1,241 to \$1,427 per month:

Other Funds

Salary increase	\$1,282,527
Health insurance increase	<u>1,077,441</u>
Total	\$2,359,968

³ Funding for 6 FTE positions is removed.

⁴ Funding is adjusted for the information technology unification initiative, including the transfer of 12 FTE positions and 1 temporary position to the Information Technology Department, as shown below:

	<u>FTE</u>	<u>Other Funds</u>
Transfers 12 FTE positions	(12.00)	(\$2,532,319)
Transfers 1 temporary position	0.00	(99,840)
Adds funding for IT operating expenses	<u>0.00</u>	<u>2,762,200</u>
Total	(12.00)	\$130,041

⁵ Funding for operating expenses, primarily related to professional service fees, is reduced.

⁶ Funding is added for Microsoft Office 365 licensing expenses.

⁷ One-time funding of \$7,010,000 is added from the workmens compensation fund for the claims and policy system replacement project for releases 7 through 10 of the 20 release project. The total project is estimated to cost \$29.5 million and has an estimated completion date of June 2026.

⁸ One-time funding of \$850,000 is added from the workmens compensation fund for the MyWSI extranet enhancement project. The 2017 Legislative Assembly appropriated \$538,500 for the project for the 2017-19 biennium.

Date: 2-6-2019
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: go with governors exec. budget except salary + benefits

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Grabinger Seconded By Hogue

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mathern		
Senator Krebsbach			Senator Grabinger	X	
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke	X				
Senator Hogue	X				

Total (Yes) 3 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2-12-19
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 19 0234. 01002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Oehlke Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Senator Holmberg			Senator Mathern		
Senator Krebsbach			Senator Grabinger		
Senator Wanzek			Senator Robinson		
Senator Erbele					
Senator Poolman					
Senator Bekkedahl					
Senator G. Lee					
Senator Dever					
Senator Sorvaag					
Senator Oehlke					
Senator Hogue					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Voice Vote
it carried*

Date: 2-12-2019

Roll Call Vote #: 2

2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2021

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Hogue Seconded By Bekkedahl

Senators	Yes	No	Senators	Yes	No
Senator Holmberg	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator Grabinger	✓	
Senator Wanzek	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Poolman	✓				
Senator Bekkedahl	✓				
Senator G. Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Grabinger

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2021: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2021 was placed on the Sixth order on the calendar.

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Department 485 - Workforce Safety and Insurance - Detail of Senate Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Unfunds 6 FTE Positions ³	Adjusts Funding for IT Unification ⁴	Reduces Funding for Operating Expenses ⁵	Adds Funding for Microsoft Office 365 Licenses ⁶
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Total all funds	(\$1,821,876)	\$2,359,968	(\$1,012,252)	\$130,041	(\$2,332,176)	\$14,988
Less estimated income	(1,821,876)	2,359,968	(1,012,252)	130,041	(2,332,176)	14,988
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	(12.00)	0.00	0.00

	Adds One-Time Funding for the CAPS Replacement Project ⁷	Adds One-Time Funding for the MyWSI Enhancement Project ⁸	Total Senate Changes
WSI operations	\$7,010,000	\$850,000	\$5,198,693
Total all funds	\$7,010,000	\$850,000	\$5,198,693
Less estimated income	7,010,000	850,000	5,198,693
General fund	\$0	\$0	\$0
FTE	0.00	0.00	(12.00)

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent on July 1, 2019, and 3 percent on July 1, 2020, and increases in health insurance premiums from \$1,241 to \$1,427 per month:

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Salary increase	\$1,282,527
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⁸ One-time funding of \$850,000 is added from the workmens compensation fund for the MyWSI extranet enhancement project. The 2017 Legislative Assembly appropriated \$538,500 for the project for the 2017-19 biennium.

2019 HOUSE APPROPRIATIONS

SB 2021

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Education and Environment Division
Roughrider Room, State Capitol

SB 2021
2/28/2019
32965

- Subcommittee
 Conference Committee

Committee Clerk: Parker Oswald

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Attachments 1-2

Chairman Representative David Monson: Opens meeting on HB 2021.

(00:40) Bryan Klipfel: Introduces self to committee and passes out **attachments 1 and 2**. Begins to present **page 1 of attachment 1**.

(8:00) Chairman Representative David Monson: What does it cost to do the paperwork for an employer?

Mr. Klipfel: It was around \$380 for a minimum premium. We charge \$250 right now and there was a bill trying to lower that as well.

Chairman Representative David Monson: That was my bill.

(8:55) Mr. Klipfel: It is an insurance policy for your employees, so if you pay the minimum premium of \$250 and the costs for injured employees can be in the millions of dollars.

Chairman Representative David Monson: What is your premium per employee?

Mr. Klipfel: It depends on the type of hazard in the occupation.

Chairman Representative David Monson: What is very high?

(10:15) Mr. Klipfel: A more dangerous field would be closer to 10% or \$9 per \$100. We collected a lot of premium during the oil boom because the rates were a lot higher.

Chairman Representative David Monson: Did you pay out a lot during that time?

Mr. Klipfel: We paid out, but our set rates remained stable and we have been able to cover all of the costs that have been coming through. Our investment portfolio for WSI (Workforce Safety Insurance) has been very solid and continued to grow. If you do not manipulate the rates set, you will not see problems.

Chairman Representative David Monson: Do you have your own actuary?

(11:45) Mr. Klipfel: Yes, they are expensive, but very good.

Chairman Representative David Monson: Do they have a chart that they work off of?

Mr. Klipfel: They look at claims from around the country, but mostly just North Dakota.

Chairman Representative David Monson: Do you feel your rates are competitive compared to other states?

(12:50) Mr. Klipfel: There are not a lot of state run worker compensations because most are private, but yes. North Dakota always has the lowest premium rates in the Nation according to the Oregon study that is done quite often.

Chairman Representative David Monson: Other states bring up Bank of North Dakota and the state mill elevator, but WSI almost falls into that category.

Mr. Klipfel: This is actually our 100th anniversary and we were started the same year as Bank of North Dakota, state mill elevator and WSI.

(14:50) Chairman Representative David Monson: Where is your silver round that commemorates your 100th anniversary?

Mr. Klipfel: We are a government agency and cannot spend money on that, but we made coasters.

Chairman Representative David Monson: Congrats on the 100 years. When we first started, WSI was not ran as well as it is today. We had some big issues with them back in the early 1990's. We had 20 or more bills every session trying to get them on track.

(17:00) Mr. Klipfel: We were very underfunded and had to make a lot of cuts back then and you guys really cleaned it up. We are getting to the point now where we can be financially solvent because we are not paying for everything.

Chairman Representative David Monson: What is our unfunded liability?

Mr. Klipfel: We are doing very well. Our total fund is about \$1.9B and it continues to grow due to our great returns lately. The employers are paying their premiums and our investments have been good. Our discounted rate has been positive as well and our reserves are fine. We have been able to pay the premium dividends back lately too, which is a big deal.

(19:20) Mr. Klipfel: Returns to **page 17 of attachment 1.**

(22:30) Chairman Representative David Monson: What are some of your issues?

Mr. Klipfel: The system replacement project. We had to spend a lot of money and it never got done, so we had to file a lawsuit to get some money back. We are working on an update to our current system rather than a full replacement. Cyber security is always another risk we have to look at and work on. We may need some private competition and since we are a monopolistic and there is no worker's compensation competition. There used to be competition, but the rates raised too high for many to keep up. You cannot please everyone as an insurance company. Returns to **attachment 1** on the appropriations request.

(25:30) Chairman Representative David Monson: Did the Senate change anything or take the Governor's recommendation?

Mr. Klipfel: They took the Governor's recommendations.

Chairman Representative David Monson: Any cuts?

Mr. Klipfel: We made some cuts that were recommended and the budget we provided was one we felt would help us continue without any setbacks.

(26:35) Chairman Representative David Monson: So you are basically happy with what the Senate proposed?

Representative Bob Martinson: If you make a cut, it goes into your reserve.

Mr. Klipfel: I can always ask for more money.

Representative Bob Martinson: You can really make cuts on your own since you are a self-funded agency, right?

(27:30) Mr. Klipfel: That is correct. Our budgets increased a little in 2013-2014, but what we needed were employees to keep up with all of the employers coming to the state making claims. We were up to 33 full-time temporaries with mostly full-time pay and benefits.

Chairman Representative David Monson: You still have constraints on FTE (full time employee)?

Mr. Klipfel: Yes, correct. Our employers and claims have come down and we are down to 7 full-time temporaries.

Representative Mike Nathe: The Governor recommended retirement contribution of \$239,000 and the Senate took it out.

(29:15) Mr. Klipfel: What they wanted to do was the employer and employee contribute to the retirement plan and they wanted to eliminate that.

Chairman Representative David Monson: So the 12 FTE that the Governor recommended being removed has no barring other than hiring more temps.

Mr. Klipfel: The 13 FTE that were originally proposed, we did get funding for 7 of those. We have the authority for all 13, but funding for 7. You are thinking of the 12 FTE for IT (Information Technology) unification and the ITD (Information Technology Department) transfer.

(30:50) Chairman Representative David Monson: So you guys are the guinea pigs?

Levi Kinnischtzke, LC: The Senate went with IT unification for every budget.

Chairman Representative David Monson: We will have to keep an eye out for that.

(31:35) Mr. Klipfel: Returns to **attachment 1**.

(32:35) Chairman Representative David Monson: Are you responsible for cyber security or would ITD after the transfer?

Mr. Klipfel: They would be responsible for some, but most of the cause of the breaches are an employee giving our info on accident.

Chairman Representative David Monson: If we leave it the way it is with the unification, cyber security is more training and no real cost to you?

(33:40) Mr. Klipfel: The money we have will cover anything and ITD would have extra if it came to that.

Chairman Representative David Monson: If we removed the unification, would we need to add more money?

Mr. Klipfel: No, I do not think so. ITD has our info already. They took the salaries for the 12 ITD employees from salaries and wages to operating.

(34:45) Chairman Representative David Monson: Any other questions?

Mr. Klipfel: Returns to financial appropriations in **attachment 1**.

Chairman Representative David Monson: Any other questions? The rest of this will just be discussions in our committee and leadership to see if they want to use you guys as the ITD unification or consolidation. We are scheduled to do full committee sometime next week, but I do not think we will kick this bill out quite that quickly.

(37:10) Chairman Representative David Monson: Closes meeting on HB 2021. Representative Mike Nathe will carry HB 2021.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Education and Environment Division
Roughrider Room, State Capitol

SB 2021
3/18/2019
33862

- Subcommittee
 Conference Committee

Committee Clerk: Ellen LeTang and Parker Oswald

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

Chairman Representative David Monson: Opens the hearing on SB 2021.

Representative Martinson: Moves a Do Pass.

Vice Chairman Jim Schmidt: Second.

Levi Kinnischtzke: You will have to amend SB 2021 to include the IT (Information Technology) unification and the House's version of the salary and wage increase of 2% and 2% instead of the Senate's version.

Representative Martinson: Withdraws motion.

Vice Chairman Jim Schmidt: Withdraws second.

Representative Martinson: Moves to amend to change Senate's 2% & 3% salary and wage increase to 2% & 2% & the unification of the IT.

Representative Mark Sanford: Second.

Chairman David Monson: Further discussion?

(2:55) Voice Vote is taken and motion to adopt the amendment carries.

Representative Martinson: Moves a Do Pass as Amended.

Vice Chairman Jim Schmidt: Second.

Chairman Representative David Monson: Further discussion?

Representative Nathe: Why is there no money for the internal reporting system or electronic payment processing systems?

Levi Kinnischtzke: Those were one-time funding items and are no longer needed.

(4:05) Roll call was taken on SB 2021 for a Do Pass as Amended and motion carries with 7 yes, 0 no, 0 absent & Representative Nathe is the carrier.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Education and Environment Division
Roughrider Room, State Capitol

SB 2021
4/1/2019
34400

- Subcommittee
 Conference Committee

Committee Clerk: Parker Oswald

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance.

Minutes:

No Attachments

Chairman Representative David Monson: Opens meeting on SB 2021 and mentions that the bills have to be reconsidered to include the updated salary package.

Representative Bob Martinson: Moves to reconsider. **Representative Mike Nathe** seconded motion. Voice vote, motion carries.

Representative Bob Martinson: Motion made to adopt amendment. Vice Chairman **Representative Jim Schmidt** seconded. Voice vote, motion carries.

Representative Bob Martinson: Do pass as amended, **Representative Mike Nathe** seconded. Roll call vote taken, motion carries with 7 yeas, 0 nays and 0 absent.

(5:00) Chairman Representative David Monson: Closes meeting on SB 2021.

2019 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

SB 2021
4/4/2019
34518

- Subcommittee
- Conference Committee

Committee Clerk: Risa Bergquist

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and insurance; and to provide for a report to the legislative assembly.

Minutes:

Chairman Delzer: Called the meeting to order for SB 2021. This is the Workforce, Safety and Insurance bill.

Representative Nathe: There's just a couple of changes, looking at the statement of purpose of amendment, there's the adjustments for salaries and benefit increases the 2 and 2.5 is a total of 206 thousand. We also adjusted for the IT Unification since we are not doing that we took 130 out. Total house changes were 76 thousand for the total the house version is 68.7 million dollars. In the IT you'll see 130, we restored the 12 FTE positions, restored a temporary position and removed some funding for some IT operating expenses. On the bill, lines 19 you'll see the claims and policy system replacement project for 2019/21 was a little over 7 thousand, that is for the projects going through 20 phases and this is for phases 7-10. The estimated cost of this total project is 29.5 million and the estimated completed date is 2026. MyWSI extranet enhancement project went from 538 thousand to 850 thousand. That is also a project that we appropriated some money yearly on to so we just added some to keep it going. Those are the house changes to SB 2021.

Chairman Delzer: Why did we put those 12 FTEs back in?

Representative Nathe: That is because we did not move the IT Unification out so we had to put them back in.

Chairman Delzer: Any further questions by the committee?

Representative Nathe: Move the Amendment 19.0234.02002

Representative Monson: Second

Chairman Delzer: Further discussion on the motion to amend 2022?

Voice vote, All in Favor, Motion Carries.

Representative Nathe: I'll move a Do pass as Amended

Representative Monson: Second

Chairman Delzer: You said that system replacement project is going to be 29 million and they are only half done with this? There is 8 million last time and 7 million this time, was there money in there in 2015 for this?

Representative Nathe: We didn't go back that far.

Brady Larson, LC: 2015 session there was 6 million added for a computer replacement project and then there is also a million dollars add for litigation for the prior failed project.

Chairman Delzer: This is all being paid for out of their fund? I understand their fund is in pretty good shape.

Mr. Larson, LC: I don't have that number but I do know it is adequately funded.

Chairman Delzer: Any further discussion on the motion for Do Pass as Amended? Seeing none we will call the roll.

A Roll Call vote was taken. Yea: 20 Nay: 0 Absent: 1

Representative Nathe will carry the bill.

Chairman Delzer: With that we will close this meeting.

DE 4/9/19
1st

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2021

Page 1, replace lines 10 through 13 with:

"Workforce safety and insurance operations	<u>\$63,473,062</u>	<u>\$5,274,780</u>	<u>\$68,747,842</u>
Total special funds	\$63,473,062	\$5,274,780	\$68,747,842
Full-time equivalent positions	260.14	0.00	260.14"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Workforce Safety and Insurance - House Action

	Base Budget	Senate Version	House Changes	House Version
WSI operations	<u>\$63,473,062</u>	<u>\$68,671,755</u>	<u>\$76,087</u>	<u>\$68,747,842</u>
Total all funds	\$63,473,062	\$68,671,755	\$76,087	\$68,747,842
Less estimated income	<u>63,473,062</u>	<u>68,671,755</u>	<u>76,087</u>	<u>68,747,842</u>
General fund	\$0	\$0	\$0	\$0
FTE	260.14	248.14	12.00	260.14

Department 485 - Workforce Safety and Insurance - Detail of House Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for IT Unification ²	Total House Changes
WSI operations	<u>\$206,128</u>	<u>(\$130,041)</u>	<u>\$76,087</u>
Total all funds	\$206,128	(\$130,041)	\$76,087
Less estimated income	<u>206,128</u>	<u>(130,041)</u>	<u>76,087</u>
General fund	\$0	\$0	\$0
FTE	0.00	12.00	12.00

¹ The following funding is adjusted for the 2019-21 biennium salary adjustments of 2 percent with a minimum monthly increase of \$120 and a maximum monthly increase of \$200 on July 1, 2019, and a 2.5 percent increase on July 1, 2020, and increases in health insurance premiums from \$1,241 to \$1,427 per month:

Other Funds

Salary increase	\$152,584
Health insurance increase	<u>53,544</u>
Total	\$206,128

Funding adjusted for state employee salary increases results in total salary increases proposed by the House of \$1,435,111. The Senate proposed salary increases of 2 percent on July 1, 2019, and 3 percent on July 1, 2020, to provide total salary increases of \$1,282,527. Funding of \$53,544 is added for increases in health insurance premiums for 12 FTE positions the Senate transferred to the Information Technology Department for the information technology unification initiative. The House has not approved the information technology unification initiative and restored the 12 FTE positions transferred by the Senate.

² The House has not approved the information technology unification initiative previously approved by the Senate, resulting in the following adjustments to funding and FTE positions:

DE 8/4/19
2 of 2

	<u>FTE</u>	<u>Other Funds</u>
Restores 12 FTE positions	12.00	\$2,532,319
Restores 1 temporary position	0.00	99,840
Removes funding for IT operating expenses	<u>0.00</u>	<u>(2,762,200)</u>
Total	12.00	(\$130,041)

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2021**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____ Vote Withdrawn _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Representative Bob Martinson Vice Chairman
 Seconded By Representative Jim Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chair David Monson			Representative Tracy Boe		
Vice Chair Jim Schmidt					
Representative Bob Martinson					
Representative Mike Nathe					
Representative Mark Sanford					
Representative Mike Schatz					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Withdrawn

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2021**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: Voice vote – motion carries

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Representative Bob Martinson Seconded By Representative Mark Sanford

Representatives	Yes	No	Representatives	Yes	No
Chair David Monson			Representative Tracy Boe		
Vice Chair Jim Schmidt					
Representative Bob Martinson					
Representative Mike Nathe					
Representative Mark Sanford					
Representative Mike Schatz					

Total (Yes) Voice vote - motion carries No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Amendment to change the salary and wage increase as proposed by the Senate to 2% and 2% and Information Technology (IT) unification.

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2021**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Representative Bob Martinson Vice Chairman
 Seconded By Representative Jim Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chair David Monson	X		Representative Tracy Boe	X	
Vice Chair Jim Schmidt	X				
Representative Bob Martinson	X				
Representative Mike Nathe	X				
Representative Mark Sanford	X				
Representative Mike Schatz	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Representative Mike Nathe

If the vote is on an amendment, briefly indicate intent:

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2021**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Representative Bob Martinson Seconded By Representative Mike Nathe

Representatives	Yes	No	Representatives	Yes	No
Chair David Monson			Representative Tracy Boe		
Vice Chair Jim Schmidt					
Representative Bob Martinson					
Representative Mike Nathe					
Representative Mark Sanford					
Representative Mike Schatz					

Total (Yes) Voice vote - carries No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2021**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: Adopt amendment for the new salary and wage increase

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Representative Bob Martinson Vice Chairman
 Seconded By Representative Jim Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chair David Monson			Representative Tracy Boe		
Vice Chair Jim Schmidt					
Representative Bob Martinson					
Representative Mike Nathe					
Representative Mark Sanford					
Representative Mike Schatz					

Total (Yes) Voice vote - carries No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent: An amendment to update the new salary and wage increase of 2% and 2.5% with a minimum of \$120 and a maximum of \$200.

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2021**

House Appropriations - Education and Environment Division Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Representative Bob Martinson Seconded By Representative Mike Nathe

Representatives	Yes	No	Representatives	Yes	No
Chair David Monson	X		Representative Tracy Boe	X	
Vice Chair Jim Schmidt	X				
Representative Bob Martinson	X				
Representative Mike Nathe	X				
Representative Mark Sanford	X				
Representative Mike Schatz	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Representative Mike Nathe

If the vote is on an amendment, briefly indicate intent:

Date: 4/4/2019
Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2021**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 19.0234.02002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Representative Nathe Seconded By Representative Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich					
Representative Anderson			Representative Schobinger		
Representative Beadle			Representative Vigesaa		
Representative Bellew					
Representative Brandenburg					
Representative Howe			Representative Boe		
Representative Kreidt			Representative Holman		
Representative Martinson			Representative Mock		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

Voice Vote/Motion Carries

Date: 4/4/2019
 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2021**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative Nathe Seconded By Representative Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X				
Representative Anderson	X		Representative Schobinger	X	
Representative Beadle	X		Representative Vigesaa	X	
Representative Bellew	X				
Representative Brandenburg	A				
Representative Howe	X		Representative Boe	X	
Representative Kreidt	A		Representative Holman	X	
Representative Martinson	X		Representative Mock	X	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	A				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 20 No 0

Absent 1

Floor Assignment Representative Nathe

Motion Carries

REPORT OF STANDING COMMITTEE

SB 2021, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2021 was placed on the Sixth order on the calendar.

Page 1, replace lines 10 through 13 with:

"Workforce safety and insurance operations	<u>\$63,473,062</u>	<u>\$5,274,780</u>	<u>\$68,747,842</u>
Total special funds	\$63,473,062	\$5,274,780	\$68,747,842
Full-time equivalent positions	260.14	0.00	260.14"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Workforce Safety and Insurance - House Action

	Base Budget	Senate Version	House Changes	House Version
WSI operations	<u>\$63,473,062</u>	<u>\$68,671,755</u>	\$76,087	<u>\$68,747,842</u>
Total all funds	\$63,473,062	\$68,671,755	\$76,087	\$68,747,842
Less estimated income	<u>63,473,062</u>	<u>68,671,755</u>	76,087	<u>68,747,842</u>
General fund	\$0	\$0	\$0	\$0
FTE	260.14	248.14	12.00	260.14

Department 485 - Workforce Safety and Insurance - Detail of House Changes

	Adjusts Funding for Salary and Benefit Increases ¹	Adjusts Funding for IT Unification ²	Total House Changes
WSI operations	<u>\$206,128</u>	<u>(\$130,041)</u>	\$76,087
Total all funds	\$206,128	(\$130,041)	\$76,087
Less estimated income	<u>206,128</u>	<u>(130,041)</u>	76,087
General fund	\$0	\$0	\$0
FTE	0.00	12.00	12.00

¹ The following funding is adjusted for the 2019-21 biennium salary adjustments of 2 percent with a minimum monthly increase of \$120 and a maximum monthly increase of \$200 on July 1, 2019, and a 2.5 percent increase on July 1, 2020, and increases in health insurance premiums from \$1,241 to \$1,427 per month:

	<u>Other Funds</u>
Salary increase	\$152,584
Health insurance increase	53,544
Total	<u>\$206,128</u>

Funding adjusted for state employee salary increases results in total salary increases proposed by the House of \$1,435,111. The Senate proposed salary increases of 2 percent on July 1, 2019, and 3 percent on July 1, 2020, to provide total salary increases of \$1,282,527. Funding of \$53,544 is added for increases in health insurance premiums for 12 FTE positions the Senate transferred to the Information Technology Department for the information technology unification initiative. The House has not approved the information technology unification initiative and restored the 12 FTE positions transferred by the Senate.

² The House has not approved the information technology unification initiative previously approved by the Senate, resulting in the following adjustments to funding and FTE positions:

	<u>FTE</u>	<u>Other Funds</u>
Restores 12 FTE positions	12.00	\$2,532,319
Restores 1 temporary position	0.00	99,840
Removes funding for IT operating expenses	<u>0.00</u>	<u>(2,762,200)</u>
Total	12.00	(\$130,041)

2019 TESTIMONY

SB 2021

**Department 485 - Workforce Safety and Insurance
Senate Bill No. 2021**

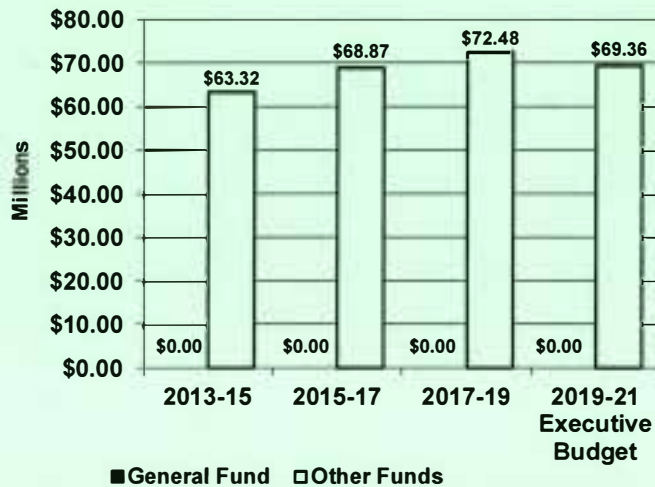
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	248.14	\$0	\$69,357,551	\$69,357,551
2017-19 Legislative Appropriations	260.14	0	72,481,659	72,481,659
Increase (Decrease)	(12.00)	\$0	(\$3,124,108)	(\$3,124,108)

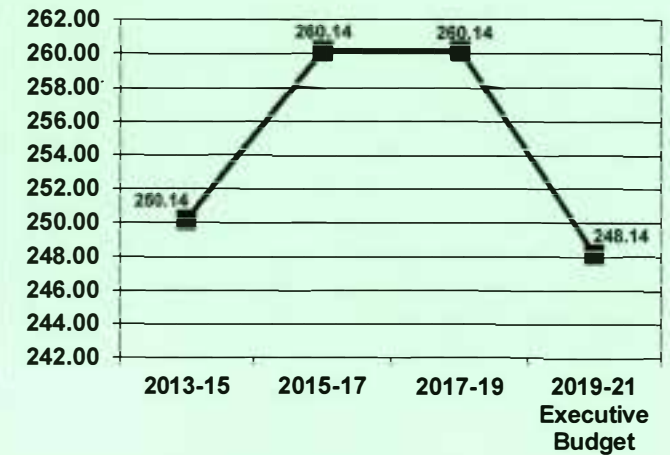
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$61,497,551	\$7,860,000	\$69,357,551
2017-19 Legislative Appropriations	63,473,062	9,008,597	72,481,659
Increase (Decrease)	(\$1,975,511)	(\$1,148,597)	(\$3,124,108)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$69,357,551	\$69,357,551
2019-21 Base Level	0	63,473,062	63,473,062
Increase (Decrease)	\$0	\$5,884,489	\$5,884,489

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$1,831,146 is for salary increases, \$912,491 is for health insurance increases, and \$239,412 is for retirement contribution increases	\$0	\$2,983,049	\$2,983,049
2. Transfers 12 FTE positions to the Information Technology Department for the information technology unification initiative	\$0	(\$2,532,319)	(\$2,532,319)
3. Transfers 1 temporary position to the Information Technology Department for the information technology unification initiative	\$0	(\$99,840)	(\$99,840)
4. Adds funding for information technology operating expenses related to the unification initiative	\$0	\$2,824,915	\$2,824,915
5. Underfunds 6 FTE positions	\$0	(\$1,012,252)	(\$1,012,252)
6. Reduces funding for operating expenses, primarily related to professional service fees	\$0	(\$2,332,176)	(\$2,332,176)
7. Adds funding for Microsoft Office 365 licensing expenses	\$0	\$14,988	\$14,988

8. Adds one-time funding for the claims and policy system replacement project for releases 7 through 10 of the 20 release project. The total project is estimated to cost \$29.5 million and has an estimated completion date of June 2026.	\$0	\$7,010,000	\$7,010,000
9. Adds one-time funding for the MyWSI enhancement project. The 2017 Legislative Assembly appropriated \$538,500 for the project for the 2017-19 biennium.	\$0	\$850,000	\$850,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Other funds appropriation - Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance (WSI) in excess of those funds appropriated in Section 1 for the 2019-21 biennium.

Continuing Appropriations

Building maintenance account - North Dakota Century Code Section 65-02-05.1 - Money in the WSI building maintenance account is appropriated on a continuing basis for bond principal and interest payments, operating, maintenance, repair, and payment in lieu of taxes expenses of the buildings and grounds.

Reinsurance and other states' coverage - Section 65-02-13.1 - Money in the WSI fund is appropriated on a continuing basis to allow the agency to establish a program of reinsurance and a program of extraterritorial coverage and other states' insurance.

Allocated loss adjustment expenses - Section 65-02-06.1 - Money in the WSI fund is appropriated on a continuing basis for the payment of all allocated loss adjustment expenses experienced by the agency.

Preferred worker program - Section 65-05-36 - Money in the WSI fund is appropriated on a continuing basis for the payment of the expense of conducting a biennial independent performance evaluation.

Insurance fraud unit - Section 65-02-23 - Money in the WSI fund is appropriated on a continuing basis for the payment of costs associated with identifying, preventing, and investigating employer or provider fraud.

Information fund - Section 65-01-13 - Money in the WSI information fund is appropriated on a continuing basis for the payment of publication and statistical processing expenses incurred by the agency.

Safety programs - Section 65-03-04 - Money in the WSI fund is appropriated on a continuing basis for the purpose of funding work safety and loss prevention programs.

Educational revolving loan fund - Section 65-05.1-08 - Money in the WSI educational revolving loan fund is appropriated on a continuing basis to maintain the fund and provide loans to individuals wanting to pursue a postsecondary education.

Litigation expense - Section 65-02-06.2 - Money in the WSI fund is appropriated for expenses associated with litigating employer-related issues and for payment of organization expenses associated with litigating medical provider-related issues.

Collection agency fees - Section 54-06-29 - Payment of fees to The Affiliated Group to assist in collection past-due accounts.

Independent performance evaluation - Section 65-02-30 - Requires that once every 4 years, the WSI Director shall request the State Auditor's office to select a firm with extensive expertise in workers' compensation practices and standards to complete a performance evaluation of the functions and operations of the organization.

Significant Audit Findings

The financial statement audit for WSI conducted by Eide Bailly LLP, for the period ending June 30, 2018, identified no significant audit findings.

The performance evaluation for WSI conducted by Sedgwick Claims Management Service, Inc., for the period ending December 31, 2017, identified 14 recommendations related to operational efficiencies, tracking certain injured worker statistics, addressing legislation related to opioids and morphine, encouraging policyholder use of the learning management system, compiling certain reports for policyholders, continuing to promote safety incentive programs to nonparticipants, and training staff in fraud detection.

Major Related Legislation

House Bill No. 1064 - Adds WSI to the list of agencies exempt from administrative proceedings conducted by the Office of Administrative Hearings.

House Bill No. 1072 - Allows WSI to charge a penalty of up to \$5,000 to employers who deduct any portion of premiums from the wages or salary of an employee eligible for benefits. The bill also allows WSI to charge a fee of \$250 plus additional penalties when an employer defaults in the payment of a premium, an installment of the premium, penalty or interest, or the filing of bonds. If a general contractor or a subcontractor willfully uses the services of a subcontractor preclude from operating under a cease and desist order, WSI may charge a penalty of \$5,000 and \$100 per day for each day the violation occurs.

House Bill No. 1073 - Allows WSI to establish pilot programs to assess alternative forms of dispute resolution to resolve disputes with injured employees. Funding available in 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 - Budget No. 485
Senate Bill No. 2021
Base Level Funding Changes

	<u>Executive Budget Recommendation</u>			
	<u>FTE Position</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
2019-21 Biennium Base Level	260.14	\$0	\$63,473,062	\$63,473,062
2019-21 Ongoing Funding Changes				
Base payroll changes			(\$1,821,876)	(\$1,821,876)
Salary increase			1,831,146	1,831,146
Health insurance increase			912,491	912,491
Retirement contribution increase			239,412	239,412
Transfer 12 FTE positions to ITD for IT unification	(12.00)		(2,532,319)	(2,532,319)
Transfer 1 temporary position to ITD for IT unification			(99,840)	(99,840)
Underfund 6 FTE positions			(1,012,252)	(1,012,252)
Add funding for IT operating expenses			2,824,915	2,824,915
Reduce funding for other operating expenses			(2,332,176)	(2,332,176)
Add funding for Microsoft Office 365 licensing expenses			14,988	14,988
Total ongoing funding changes	(12.00)	\$0	(\$1,975,511)	(\$1,975,511)
One-time funding items				
Add funding for the CAPS replacement project			\$7,010,000	\$7,010,000
Add funding for the MyWSI enhancement project			850,000	850,000
Total one-time funding changes	0.00	\$0	\$7,860,000	\$7,860,000
Total Changes to Base Level Funding	(12.00)	\$0	\$5,884,489	\$5,884,489
2019-21 Total Funding	248.14	\$0	\$69,357,551	\$69,357,551

Other Sections for Workforce Safety and Insurance - Budget No. 485

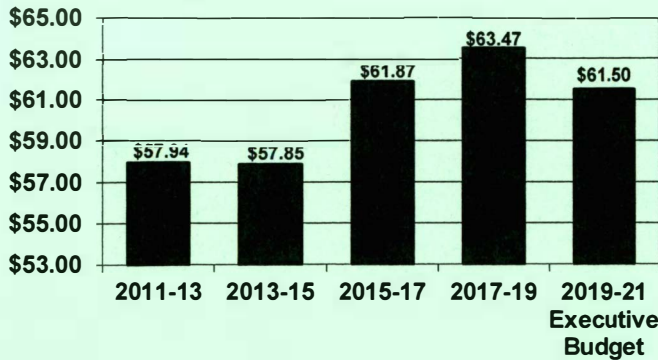
	<u>Executive Budget Recommendation</u>		
Other funds appropriation			Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance in excess of those funds appropriated in Section 1 for the 2019-21 biennium.

Department 485 - Workforce Safety and Insurance

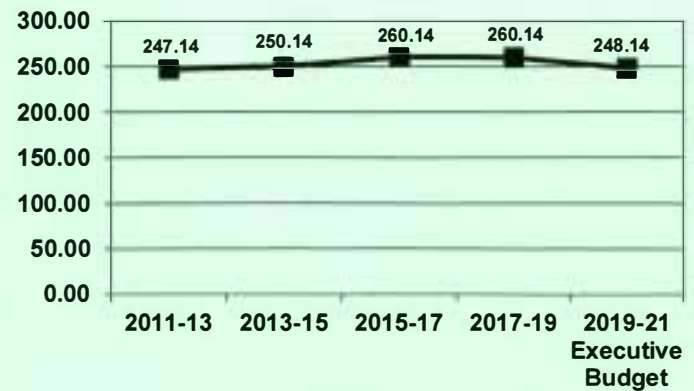
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$57,940,475	\$57,847,422	\$61,865,170	\$63,473,062	\$61,497,551
Increase (decrease) from previous biennium	N/A	(\$93,053)	\$4,017,748	\$1,607,892	(\$1,975,511)
Percentage increase (decrease) from previous biennium	N/A	(0.2%)	6.9%	2.6%	(3.1%)
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	(0.2%)	6.8%	9.5%	6.1%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added 7 FTE positions, including 1 FTE claims adjuster II position, 1 FTE claims supervisor position, 1 FTE vocational rehabilitation supervisor position, 1 FTE medical case manager supervisor position, 1 FTE underwriter position, 1 FTE compliance officer position, and 1 FTE loss control specialist position. This includes related operating expenses of \$96,060. \$1,303,717
- Transferred 4 FTE positions to the Information Technology Department (\$753,274)
- Adjusted funding for operating expenses to reflect inflationary adjustments and other budget changes (\$4,779,795)

2015-17 Biennium

- Added 6 FTE positions, including 1 FTE underwriter position, 2 FTE vocational rehabilitation case manager positions, 2 FTE nurse case manager positions, and 1 FTE physical therapist position \$878,474
- Converted temporary positions to FTE positions, including 3 FTE claim adjuster positions and 1 FTE collections specialist position \$499,217
- Reduced operating expenses primarily relating to a reduction in information technology software of \$1.5 million (\$1,999,857)

2017-19 Biennium

- Reduced funding for temporary salaries (\$357,942)
- Increased funding for operating expenses, including increases in professional service fees and information technology data processing \$1,199,920
- Removed funding for credit card fees (\$1,200,000)

2019-21 Biennium (Executive Budget Recommendation)

- Transfers 12 FTE positions to the Information Technology Department for the information technology unification initiative (\$2,532,319)
- Adds funding for information technology operating expenses related to the unification initiative \$2,824,915

3. Underfunds 6 FTE positions	(\$1,012,252)
4. Reduces funding for operating expenses, primarily related to professional service fees	(\$2,332,176)

**GOVERNOR'S RECOMMENDATION FOR THE
WORKFORCE SAFETY AND INSURANCE AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from the workforce safety and insurance fund in the state treasury, not otherwise appropriated, to workforce safety and insurance, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Workforce safety and insurance operations	<u>\$63,473,062</u>	<u>\$5,884,489</u>	<u>\$69,357,551</u>
Total special funds	\$63,473,062	\$5,884,489	\$69,357,551
Full-time equivalent positions	260.14	(12.00)	248.14

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the appropriation of section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
CAPS software replacement project	\$8,120,097	\$7,010,000
Extranet computer project	538,500	850,000
Internal reporting system updates	<u>275,000</u>	<u>0</u>
Total other fund	<u>\$8,933,597</u>	<u>\$7,860,000</u>

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The workforce safety and insurance agency shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. APPROPRIATION - In addition to the amounts appropriated to workforce safety and insurance in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to workforce safety and insurance for the biennium beginning July 1, 2019, and ending June 30, 2021.

#1 SB2021
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WSI

North Dakota Workforce
Safety & Insurance


Testimony on Senate Bill 2021

Senate Appropriations Committee

01/09/2019

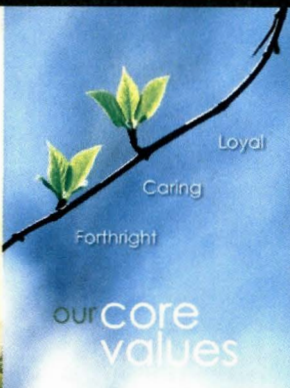
EMPOWER PEOPLE IMPROVE LIVES INSPIRE SUCCESS

our purpose
... to care for injured workers

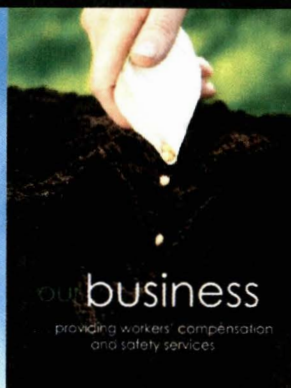


our core values

- Loyal
- Caring
- Forthright

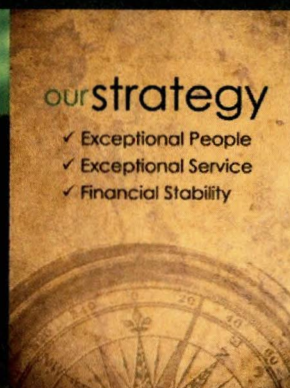


our business
providing workers' compensation
and safety services



our strategy

- ✓ Exceptional People
- ✓ Exceptional Service
- ✓ Financial Stability



our vision
... a safe, secure and healthy
North Dakota workforce



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SB 2021
1-9-2019
#1
PIB



North Dakota Workforce
Safety & Insurance

SB 2021

Budget Appropriation Table of Contents

1	WSI Budget Testimony (Page 1-5, 5A)
2	Budget Information (Page 6-8)
3	Strategic Map
4	Strategic Direction (Page 10-11)
5	Benefit & Premium Information (Page 12-19)
6	Detailed Agency Information (Page 20-25)
7	WSI Challenges - Staffing, Technology (Page 26-33)

PIB

1-9-19
SB2021
1
p1

**2019 Senate Bill No. 2021
Testimony before the Senate Appropriations Committee**

**Presented by:
Bryan Klipfel, WSI Director
Workforce Safety & Insurance
January 09, 2019**

Mr. Chairman and Members of the Committee:

Good morning. My name is Bryan Klipfel, Director of Workforce Safety & Insurance (WSI). I am here today to provide testimony on Senate Bill 2021, WSI's Appropriation bills. On behalf of WSI, I would like to thank the Chairman and the Committee for providing the agency the opportunity to testify today.

My testimony today will be brief. We have provided you with a packet of exhibits; each of which I will reference to present an overall picture of WSI. There is a table of contents at the front of the packet, just behind the cover sheet. The exhibits will provide you in-depth information for each area of discussion.

WSI Today – Strategic Plan – Vision (where we are going & why the budget requested)

I started with WSI in 2009, shortly after an initiated measure placed the agency back under the Governor. I have worked hard to provide strategic leadership, improve the culture and climate within the agency, and to efficiently manage its' resources. First, we initiated a **Strategic Plan (See Exhibit 3)**.

We implemented the Balanced Scorecard Strategy – a tool that would allow WSI to set and achieve stretch goals.

As outlined in **Exhibit 3**, we identified four major focus areas, or **Strategic Perspectives**. It is called Balanced Scorecard because you concentrate on the four legs of the stool.

1. Customer - Improve customer experience and workforce safety and health.
2. Finance – Ensure resources are secure and utilized efficiently.
3. Internal Process – Improve communications and business operations.
4. Learning & Growth – Improve the agency culture, climate, and employee development.

SB2021
7-9-19

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P 2

One important addition to our Strategic Journey was the addition of the servant leadership philosophy. Basically, to lead is to serve. We, as leaders, are responsible for serving and developing those with whom we work. We have adopted the concept of servant leadership ambassadors, taken from our visit to Southwest Airlines in Dallas, Texas. We at WSI have a noble profession of “Caring for Injured Workers.”

The enhancement on our Strategic Journey was the WSI Philosophy to create a healthy organization.

- 1. Build a cohesive leadership team
- 2. Create clarity – core purpose; values; strategic anchors; business definition
- 3. Over-communicate clarity
- 4. Reinforce clarity

The past two Cultural Surveys have shown that 98% of our employees know about WSI’s Strategic Direction. The most recent addition to our Strategic Journey is Crucial Conversations.

Our Purpose – “To care for injured workers”. That is why WSI exists. North Dakota is known as a state that provides good benefits to injured workers, and good payments to medical providers. **Exhibit 4**, pages 10-11, provide additional information and insight into how this is accomplished.

WSI provides good benefits and still offers the lowest premium rates in the nation. **Exhibit 5**, pages 12-15, illustrate how WSI benefits compare with other states.

Throughout history, the North Dakota Legislature has worked closely with WSI to develop legislation to help ensure this purpose is fulfilled. **Exhibit 5** provides a listing of past benefit / service enhancement legislation, pages 16-19.

Performance Measures were identified to measure our success. A brief display of WSI’s key performance measures is presented here, with additional detail in **Exhibit 6**, pages 20-25.

SB 2021
1-9-19

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P3

WSI Performance Metrics

Performance Indicators	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Injured Worker Satisfaction Survey	4.20	4.23	4.11	4.06	3.99	4.13
Employer Satisfaction Survey	3.57	4.22	4.27	4.31	4.41	4.42
Claims Filed/100 Covered Workers	6.41	6.31	5.69	4.97	4.91	4.90
Wage-loss Claims Filed/100 Covered Workers	0.84	0.83	0.73	0.57	0.58	0.59
Average Annual Premium Rate Adjustment	1.1%	-0.7%	1.3%	4.8%	-2.5%	-7.9%
Investment Returns	8.32%	11.71%	3.27%	3.58%	8.29%	5.34%
Net Position (Fund Surplus) <i>millions</i>	\$354.8	\$439.1	\$454.8	\$466.1	\$608.8	\$681.1
Available Surplus Ratio	33.8%	39.2%	38.9%	39.8%	52.9%	61.9%
Premium Dividends (<i>millions</i>)	\$147.6	\$95.6	\$92.8	\$123.2	\$117.9	\$105.1
WSI Employee Turnover	8.2%	7.2%	9.3%	5.1%	3.5%	6.7%

WSI 2019-2021 Appropriation Request

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

WSI accommodated the increased workloads during the peak boom years by increasing the number of temporary employees. As of June 30, 2015, WSI had the equivalent of 32 temporary employees. As workloads decreased, this number has been reduced to less than 8 in FY 2018, a reduction of 75%.

Below is a table outlining WSI's recommended appropriation for the 2019-21 biennium. We started with the base level funding appropriated in the 2017-19 biennium. WSI outlined the requested one-time funding requests and other adjustments to arrive at the level requested in the Governor's Recommendation.

SB 2021
1-9-19
#1
P4

Budget Recommendation 2019-2021 SB 2021

Budget Overview	2017-2019	2019-2021	Variance
	Current Biennial Appropriation	Governor's Budget Recommendation	Current Appropriation vs. Governor's Recommendation
Salary & Fringe	49,294,852	49,294,852	
Reduce FTE's by 5% (-13)		(2,193,256)	
Other savings-temp employees, misc		(1,889,339)	
Agency Submitted Salary & Fringe	49,294,852	45,212,257	
Executive Recommendation Revisions			
Reinstate funding for 7 FTE's		1,180,984	
Transfer 12 FTE's & 1 Temp to ITD		(2,824,915)	
Agency Salary & Fringe increases		3,243,274	
Total Salary & Fringe		46,811,600	
Operating Expense	14,178,210	14,178,210	
Balance of 10% Reduction		(2,317,174)	
Agency Submitted Operating Expense		11,861,036	
Executive Recommendation Revisions			
Transfer IT Reduction to Operating		2,824,915	
Total Operating	14,178,210	14,685,951	
Base Budget Total	63,473,062	61,497,551	-3.11%
One-Time items			
CAPS	8,120,097	7,010,000	
Extranet	538,500	850,000	
MS Reporting Project	275,000	-	
Electronic Payment Processing	75,000	-	
Total One Time Items	9,008,597	7,860,000	
Total Budget	72,481,659	69,357,551	-4.31%
FTE	260.14	260.14	
Transfer 12 FTE's to ITD		(12.00)	
Total FTE's	260.14	248.14	-4.61%

SB 2021
 1-9-19
 #1
 P5

The chart below presents the status of the current biennium through November 30, 2018.

Biennial Appropriation 2017-2019	72,481,659	100%
FY 18 Expenditures	(32,779,582)	-45%
FY 19 Expenditures through 11/30/2018	(12,905,427)	-18%
Appropriation Balance as of 11/30/2018	26,796,650	37%
Estimated FY 19 Remaining Expenses	(23,341,928)	-32%
Possible Savings for Biennium	3,454,722	5%

The Executive Budget Recommendation for WSI includes these changes to the budget request submitted by the agency:

- Restores 7.00 FTE positions and \$1.2 million from special funds.
- Restores 6.00 FTE positions with no additional funding.
- Provides \$7.0 million in special funds for the continuation of the development of the claims and policy system.
- Provides \$850,000 in special funds for continuation of the extranet enhancement project.
- Transfers 12.00 FTE positions and 1.00 temporary position to ITD for IT unification.

WSI is financially stable, provides excellent service, and is overall functioning very well. The Governor's recommended budget for 2019-21 would result in a total biennial base budget decrease of (3.11%) from the prior biennium, and an overall budget reduction of (4.31%) from the prior biennium.

As you can see from the adjustments above, the most significant changes relate to the transfer of FTE's to ITD for IT Unification and the ongoing funding of WSI's Claims and Policy System (CAPS) replacement project. We firmly believe the technology initiatives outlined above will only serve to make us better in the services that we provide. **Exhibit 7** provides WSI's Technology Strategy and more specifics on these initiatives.

In closing, WSI and the WSI Board of Directors support the funding level for the 2019-21 biennium as outlined in the Governor's recommendation. Thank you for your time today and your consideration of WSI's biennial appropriation request. At this time, we would be glad to answer any questions that you may have.

SB 2021
1-9-19
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Legislative Request - Listing of Proposed Budget Reductions Identified by WSI

	2017-19 Base Budget Appropriation	Reductions to meet Governor's budget request guidelines	Percent of Reduction	2019-21 Base Budget Request
FTE's	260.14	(13.00)	-5.0%	247.14
Payroll				
Salaries & Fringe	49,294,852	(4,082,595)		45,212,257
Operating Expenses				
Travel	817,971	(36,383)		781,588
IT Software & Supplies	733,640	(101,788)		631,852
Professional Supplies	430,735	(32,707)		398,028
Miscellaneous & Office Supplies	224,050	(52,070)		171,980
Postage and Delivery Services	776,452	(150,572)		625,880
Printing	212,150	(42,100)		170,050
IT Computers & Equipment	251,500	13,500		265,000
Lease/Rent Equipment & Building	1,223,726	23,736		1,247,462
IT Data Processing	3,036,120	(348,312)		2,687,808
Telephone	587,350	(99,310)		488,040
IT Professional & Contractual Services	2,306,000	(584,000)		1,722,000
Professional Development	683,711	(184,226)		499,485
Operating Fees, Services & Repairs	842,610	629,110		1,471,720
Professional Services	2,052,195	(1,299,595)		752,600
Base Budget	63,473,062	(6,347,312)	-10.0%	57,125,750

Optional Budget Requests compared to inclusions in Governor's Budget Recommendation

	2019-21 Base Budget Request	Optional Budget Request #1 Reinstate 13 FTE	Optional Budget Request #2 Workload Increase Contingency for Temporary Employees	Total Agency Budget Requests
FTE's	247.14	13.00		260.14
Salaries & Fringe	45,212,257	2,193,256	1,447,488	48,853,001
Operating Expense	11,913,493		18,000	11,931,493
Base Budget	57,125,750	2,193,256	1,465,488	60,784,494

	Total Agency Budget Requests	Governor's Budget Recommendation	
FTE's	260.14	260.14	Reinstated 13 FTE's, with funding for 7. Agency must find savings to fund 6. Transfer 12 IT FTE's to ITD.
Total FTE's	260.14	248.14	
Payroll			
Reinstate 13 FTE's	2,193,256	1,180,984	Reinstated 13 FTE's, funding 7. Contingency not in recommendation.
Workload Increase Contingency- Temps	1,465,488	-	

Itemized Listing of Change Requests to the Executive Recommendation

WSI is not requesting any changes to the Executive Recommendation.

19.0234.01000

Sixty-sixth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2021

Introduced by

Appropriations Committee

SB 2021
1-9-19
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P 6

1 A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and
2 insurance.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
5 as may be necessary, are appropriated from special funds derived from the workforce safety
6 and insurance fund in the state treasury, not otherwise appropriated, to workforce safety and
7 insurance, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	Governor's		
	<u>Base Level</u>	<u>Recommendation</u>	<u>Appropriation</u>
10 Workforce safety and insurance	<u>\$63,473,062</u>	<u>\$69,357,551</u>	<u>\$63,473,062</u>
11 operations			
12 Total special funds	\$63,473,062	\$69,357,551	\$63,473,062
13 Full-time equivalent positions	260.14	248.14	260.14

14 **SECTION 2. ONE-TIME FUNDING.** The following amounts reflect the one-time funding
15 items approved by the sixty-fifth legislative assembly for the 2017-19 biennium:

	<u>2017-19</u>	<u>2019-21</u>
16 <u>One-Time Funding Description</u>		
17 Computer software replacement project	\$8,120,097	\$0
18 Extranet enhancement	538,500	0
19 Internal reporting system	275,000	0
20 Electronic payment processing system	<u>75,000</u>	<u>0</u>
21 Total other funds	\$9,008,597	\$0

SB 2021
1-9-19
#1
p1

**SENATE BILL NO. 2021
(Governor's Recommendation)**

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of workforce safety and insurance.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from the workforce safety and insurance fund in the state treasury, not otherwise appropriated, to workforce safety and insurance, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

Adjustments or

	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Workforce safety and insurance operations	\$63,473,062	\$5,884,489	\$69,357,551
Total special funds	\$63,473,062	\$5,884,489	\$69,357,551
Full-time equivalent positions	260.14	(12.00)	248.14

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the appropriation of section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
CAPS software replacement project	\$8,120,097	\$7,010,000
Extranet computer project	538,500	850,000
Internal reporting system updates	<u>275,000</u>	<u>0</u>
Total other fund	\$8,933,597	\$7,860,000

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The workforce safety and insurance agency shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. APPROPRIATION - In addition to the amounts appropriated to workforce safety and insurance in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to workforce safety and insurance for the biennium beginning July 1, 2019, and ending June 30, 2021.

p1

1-9-19
SB2021
p8

Legislative Request - Listing of Proposed Budget Reductions Identified by WSI

	2017-19 Base Budget Appropriation	Reductions to meet Governor's budget request guidelines	Percent of Reduction	2019-21 Base Budget Request
FTE's	260.14	(13.00)	-5.0%	247.14
Payroll				
Salaries & Fringe	49,294,852	(4,082,595)		45,212,257
Operating Expenses				
Travel	817,971	(36,383)		781,588
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Base Budget	63,473,062	(6,347,312)	-10.0%	57,125,750

Optional Budget Requests compared to inclusions in Governor's Budget Recommendation

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Operating Expense	11,913,493		18,000	11,931,493
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	Total Agency Budget Requests	Governor's Budget Recommendation	
FTE's	260.14	260.14	Reinstated 13 FTE's, with funding for 7. Agency must find savings to fund 6. Transfer 12 IT FTE's to ITD.
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Reinstate 13 FTE's	2,193,256	1,180,984	Reinstated 13 FTE's, funding 7. Contingency not in recommendation.
Workload Increase Contingency- Temps	1,465,488		

Itemized Listing of Change Requests to the Executive Recommendation

WSI is not requesting any changes to the Executive Recommendation.

ps

WSI

North Dakota Workforce
Safety & Insurance

Strategic Partnerships

WSI Workplace Excellence

Safety Stewardship

Customer Service Excellence

Operational Excellence

WSI's Journey Continues . . .

2019 North Dakota Workforce Safety & Insurance - Strategic Management System

page 9A SB2021 1-9-19 #1

#1 1-9-19 SB2021 P9-B

Core Purpose:
To care for Injured Workers

Business Definition:
We provide workers' compensation and safety services

Vision:
A safe, secure, and healthy North Dakota Workforce.



Core Values

Loyal

Caring

Forthright

Core Values

Revised: January 4, 2019

Strategic Anchors:

Initiative Completed

Initiative in Progress

Initiative not Started

Exceptional People

Exceptional Service

Financial Stability

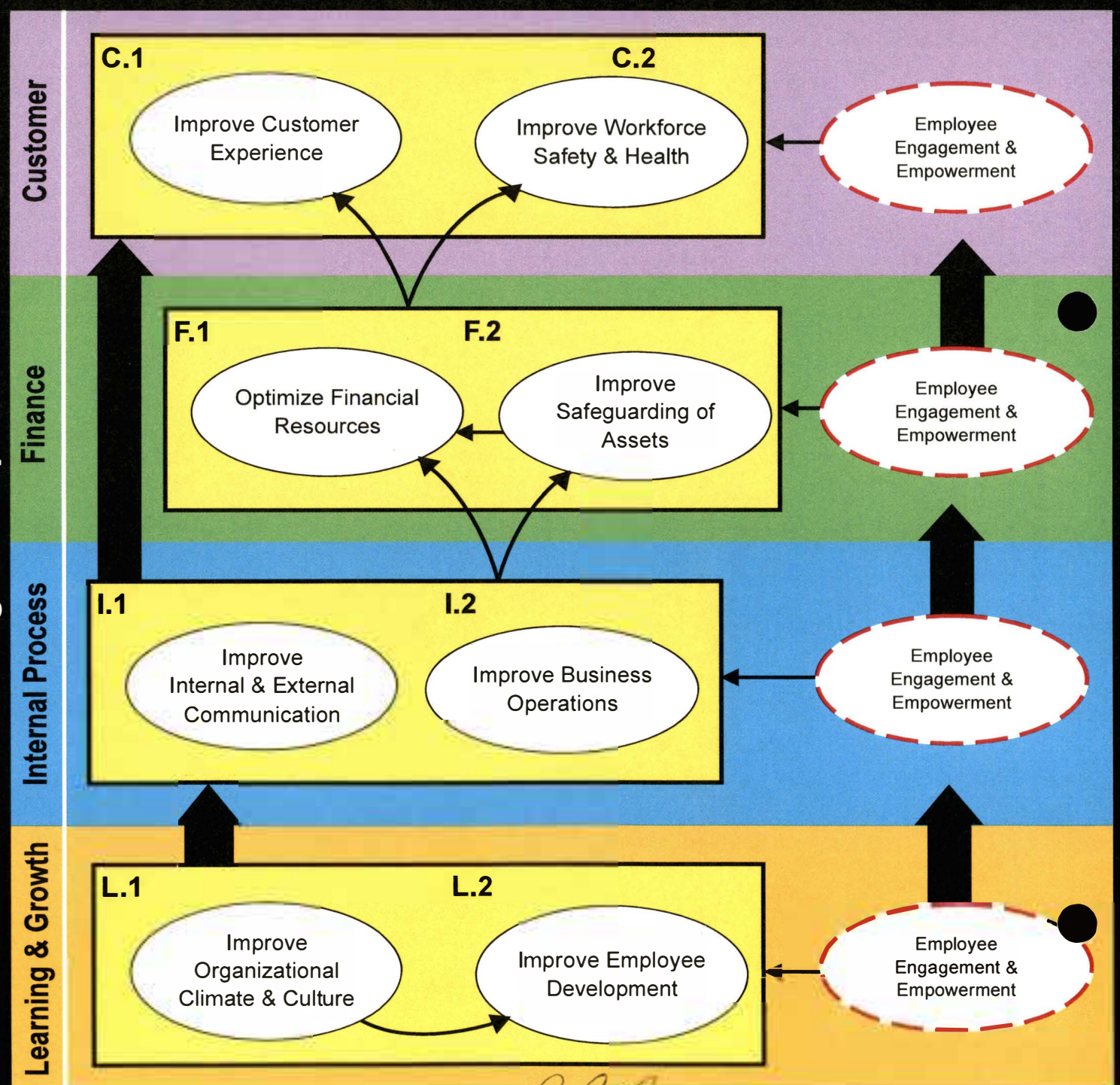
Organizational Strategy Map:

Performance Measures:

Strategic Initiatives:

Thematic Goal Initiatives:

Strategic Perspectives



- Performance Measures:**
- C.1 Improve Customer Experience**
 - PM.1 Injured Worker Satisfaction Rate
 - PM.2 Employer Satisfaction Rate
 - PM.3 Voc Rehab Satisfaction Rate
 - C.2 Improve Workforce Safety & Health**
 - PM.1 Indemnity Claims per 100 Covered Workers
 - PM.2 Total Claims per 100 Covered Workers
 - Optimize Financial Resources**
 - PM.1 Fiscal Year Combined Ratio
 - PM.2 Investment Returns
 - PM.3 Available Surplus Ratio
 - PM.4 Annual Rate Change
 - F.2 Improve Safeguarding of Assets**
 - PM.1 Available Surplus Ratio
 - PM.2 Investment Returns
 - I.1 Improve Internal/External Communication**
 - PM.1 Employee Comm. Satisfaction Survey Rate
 - Communication Satisfaction Sections:
 - PM.2 Injured Worker Satisfaction Rate
 - PM.3 Employer Satisfaction Rate
 - PM.4 Provider Satisfaction Rate
 - I.2 Improve Business Operations**
 - Operational Measures
 - L.1 Improve Employee Development**
 - PM.1 Employee Satisfaction Rate
 - Improve Organizational Climate & Culture**
 - PM.1 Employee Satisfaction Rate
 - PM.2 Employee Turnover Rate

- Strategic Initiatives:**
- 1. **Texting/Instant Communication System**
 - 2. **Total Worker Health Initiative**
 - 3. **iHCFA—Electronic Submission**
 - 4. **Enhancing the Customer Experience**
 - 5. **Telehealth Pilot**
 - 6. **Early Intervention/Behavioral Health Pilot**
 - 7. **Expand SAM Program (slips, trips, falls)**
 - 8. **Cyber Security (policy setup, e-mail security)**
 - 9. **Enterprise Risk Management (ERM)**
 - 1. **Communication Audit Implementation**
 - 2. **System Replacement**
 - 3. **Outward Facing Forms (InroPath)**
 - 4. **Transactional Reporting Software (Oracle Reports replacement)**
 - 5. **Business Analytics (Workforce)**
 - 6. **Project Portfolio Management**
 - 7. **Required Elements**
 - 8. **Standardize Independent Contractor Test**
 - 1. **Enhance WSI Strategic Direction**
 - 2. **Employee Engagement and Empowerment**

- Thematic Goal Initiatives:**
- (A) Rewards and Recognition**
 - Identify Team
 - Team Discussions
 - Identify Action Items/Initiatives
 - Reevaluate Action Items/Initiatives
 - Action Items/Initiatives:
 - Implement a Jeans Reward Policy (2 Initiatives)
 - Develop and Maintain a Verbal and Written Recognition System (4 Initiatives)
 - Enhance Employee Amenities (12 Initiatives)
 - Utilize Monetary Compensation (3 Initiatives)
 - (B) Career Development Path and Opportunities**
 - Identify Team
 - Team Discussions
 - Identify Action Items/Initiatives
 - Reevaluate Action Items/Initiatives
 - Action Items/Initiatives:
 - Enhance the Cultural Foundation
 - Executive Engagement
 - Employee Engagement
 - Leadership Engagement
 - Equip Employees (2 Initiatives)
 - Create Partnership Opportunities (1 Initiative)
 - (C) Quality of Communication & Interactions**
 - Identify Team
 - Team Discussions
 - Identify Action Items/Initiatives
 - Reevaluate Action Items/Initiatives
 - Action Items/Initiatives:
 - Improve Internal Agency Communication (4 Initiatives)
 - Improve Flow of Communication (1 Initiative)
 - Create External Communications Plan (4 Initiatives)

P9A

P9B



The WSI Way

Vision, Purpose, Business Definition, Values

WSI's vision is a safe, secure, and healthy workforce. Our core purpose is to serve injured workers. WSI does this by providing workers' compensation and safety services. Our core values are loyal, caring, and forthright. We accomplish this with exceptional people, exceptional service, and financial stability.

Strategic Perspectives

Our 4 major focus areas referred to as strategic perspectives are:

- Customer – Improve customer experience and workforce safety and health.
- Finance – Ensure resources are secure and utilized efficiently.
- Internal Process – Improve communications and business operations.
- Learning & Growth – Improve the agency culture, climate, and employee development

Each perspective is measured by performance measures, which are stated behind each perspective.

Thematic Goal

As part of WSI's philosophy to care for the injured worker, we focus on a thematic goal. The thematic goal answers the question, what is the most important thing that WSI must focus on for the next 6 to 9 months? Since adopting this approach, WSI has worked on the following thematic goals (frequently referred to as "Operations" to emphasize importance).

- Operation Workload Relief
- Operation Equip and Enable
- Operation Injured Worker Outreach
- Legislative Policy and Biennial Budget
- Safety and Health Defining the Future
- Operation Workplace Security
- Enhancing the Customer Experience

Each of the thematic goals has a set of defining objectives, which are listed on the right-hand side of the strategy map (reverse side of this document). Each defining objective has a set of actions, called initiatives, to accomplish the objective.

All of these components provide the compass for WSI, guiding how we deliver workers' compensation services. They ensure we not only focus on the day-to-day activities but the future in a clear, memorable way.



North Dakota Workforce
Safety & Insurance

Strategic Direction Highlights

Good Benefits, Good Payor, Low Premiums

Exceptional Employees and Positive Work Environment

- Top 10 places to work in Bismarck/Mandan (Bismarck-Mandan Young Professionals Network)
- One of three entities to receive the United Way Live United Award (Other recipients were Scheels and First International Bank & Trust)

Good Benefits

- Benefits set by statute
- Benefits compare quite favorably to other jurisdictions

Low Premiums

- Lowest premiums in the country

Good Payor

- Fair payment for medical and hospital services
- Ensures access to quality healthcare

Financially Stable

- Investment returns averaged 6.4% over the past five years
- Favorable investment returns contributed to additional surplus growth
- Exceeding statutory surplus requirements requires dividends
- Total dividends issued in 13 out of the last 14 years have amounted to nearly \$1.27 billion





North Dakota Workforce
Safety & Insurance

Strategic Direction Highlights

Good Benefits, Good Payor, Low Premiums – How?

Safety Focus

- Premium discounts to employers who utilize WSI Safety Programs
- Safety grants available to employers and industry associations

Administratively Efficient

- WSI’s administrative expense ratio is 15.7%. Industry expense ratios average approximately 25%

Few Disputes and Low Litigation

- Only 0.71% of decisions issued proceed to an administrative court hearing

Medical Cost Containment

- Medical and hospital fee schedules
- Utilization review
- Medical bill review
- Evidence-based treatment guidelines
- Triage of complex claims
- Pharmacy Formulary

Return-to-Work programs

- Time-loss claims account for approximately 12.1% of total claims in North Dakota compared to 20% in other jurisdictions

Good Service and Overall Customer Satisfaction

- Independently conducted injured worker and employer satisfaction surveys consistently rank in the “high” satisfaction category

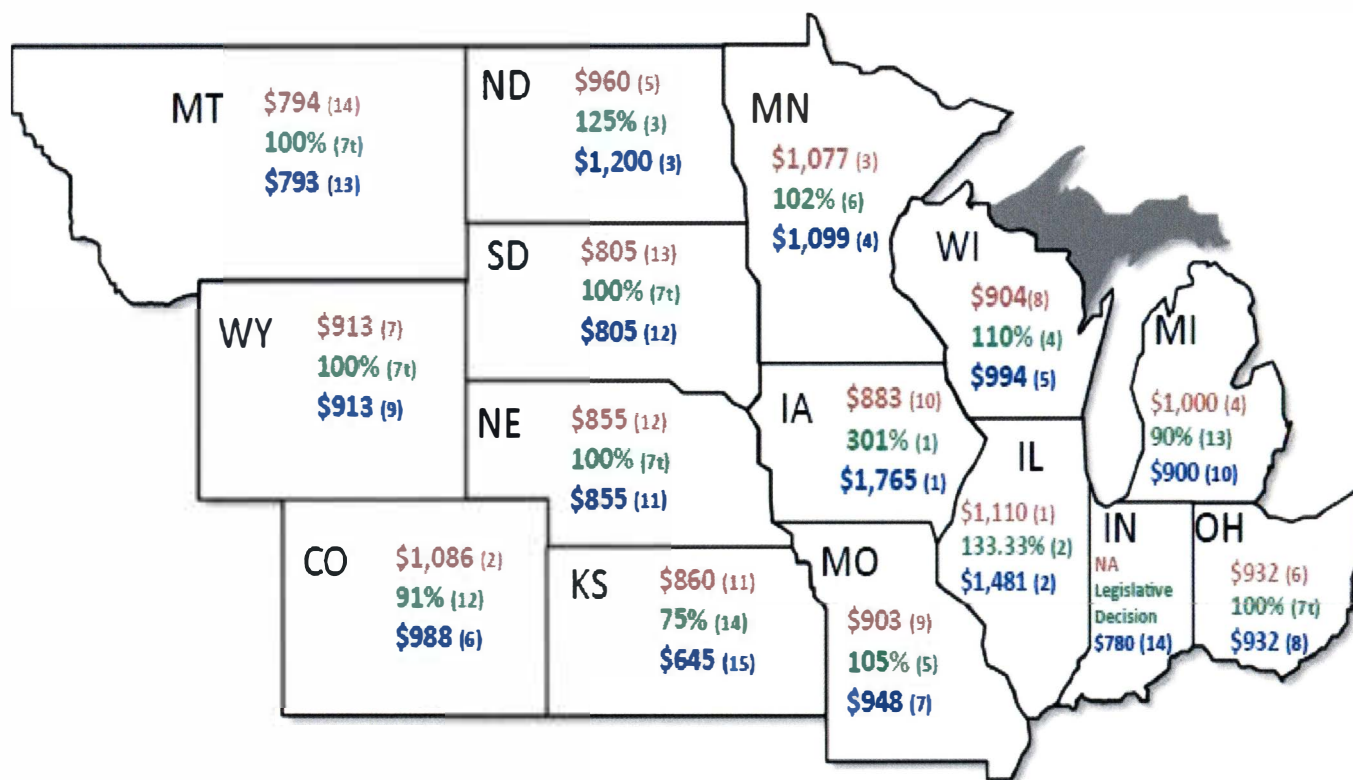




North Dakota Workforce
Safety & Insurance

Benefit Comparison

Midwest States: State's Average Weekly Wage, Maximum Benefit Rates and Maximum Weekly Benefit Amounts - 2018



SAWW (WY uses State's Avg Monthly Wage - calculated quarterly - 4th qtr 2018 shown)

Max. Weekly Benefit Rate

Max. Weekly Benefit Amount

~ Information in parenthesis = State Rank (#1 - highest to #15 - lowest)

~ Information Source: State Workers' Compensation Websites



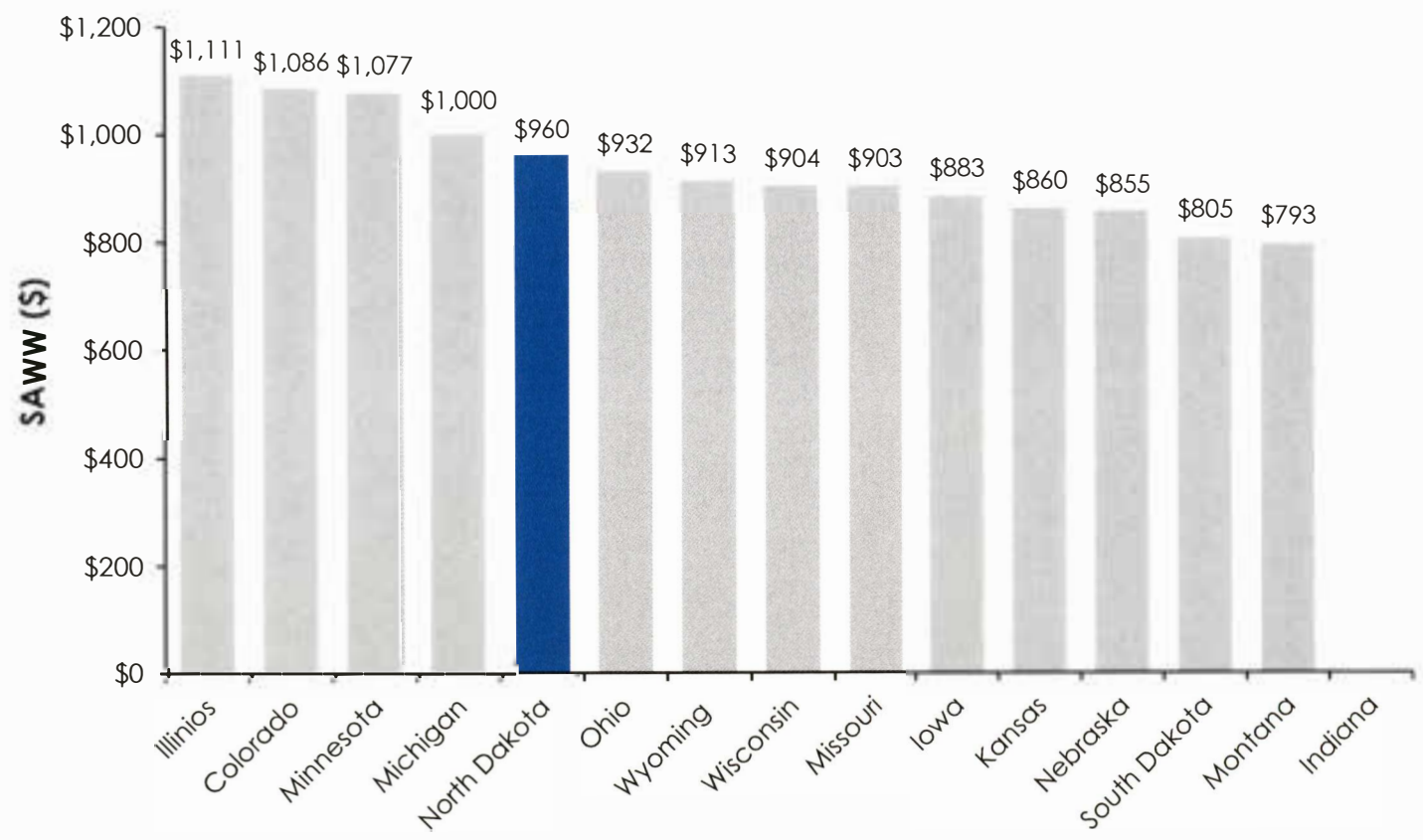
1-9-19 SB 2021 #1

P13



Benefit Comparison Average Weekly Wage

State's Average Weekly Wage by State (2018)



Highest Lowest

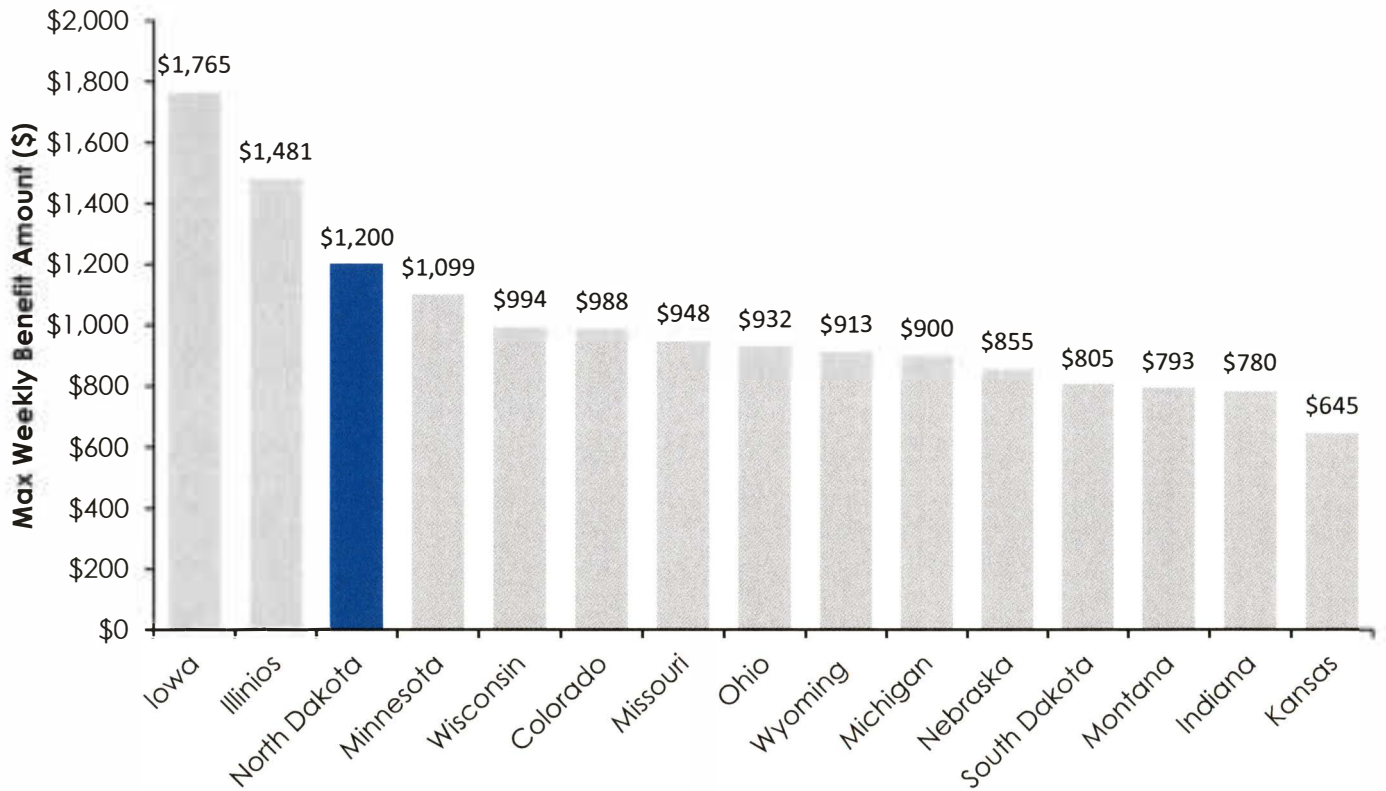




North Dakota Workforce Safety & Insurance

Benefit Comparison Weekly Benefit Amount

Maximum Weekly Benefit Amount by State (2018)



Highest Lowest





North Dakota Workforce Safety & Insurance

Premium Index Comparison

Per 2018 Oregon Study:

Neighbor state's rates compared to North Dakota (before any dividends)



South Dakota

2.1x
Higher



Minnesota

2.0x
Higher

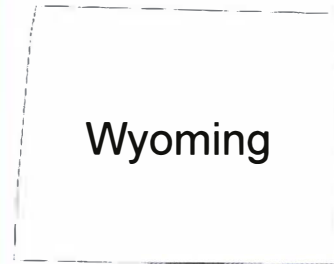


Montana

2.5x
Higher

Monopolistic States:

State's rates compared to North Dakota (before any dividends)



Wyoming

2.3x
Higher



Washington

2.3x
Higher



Ohio

1.7x
Higher



1-9-19 SB 2021 #1

P16



North Dakota Workforce
Safety & Insurance

Historical Workers Compensation Benefit & Service Enhancement Legislation

2017 Legislation

Provides for payment of an injured worker's attorney fees and costs at the level in which they prevailed regardless of whether the organization ultimately prevails (SB 2048)
Establishes a civil penalty in the amount of \$5,000 for an employer who willfully makes a false statement attempting to preclude an injured worker from securing benefits (SB 2094)

2015 Legislation

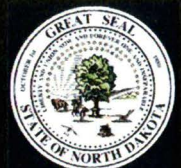
Expanded eligibility for the scholarship fund to include children up through age twenty-six (HB 1102)
Expanded the eligibility of children that can utilize the educational revolving loan fund (HB 1102)

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)





North Dakota Workforce
Safety & Insurance

Historical Workers Compensation Benefit & Service Enhancement Legislation

1-9-19 SB2021 #1 P17

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 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)





Historical Workers Compensation Benefit & Service Enhancement Legislation

2009 Legislation – Continued

- 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 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 purchase or adaptation of motor vehicles for 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)





North Dakota Workforce
Safety & Insurance

Historical Workers Compensation Benefit & Service Enhancement Legislation

P19

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)





North Dakota Workforce
Safety & Insurance

2018 Facts & Figures

State Population:	755,000
Covered Workforce:	405,367
Employer Accounts (FY 2018):	24,148
Claims Filed (FY 2018):	19,868
WSI Staff:	260 FTE
Net Earned Premium:	\$235.6M
WSI Assets:	\$1.98B
WSI Net Position (Fund Surplus):	\$681.1M

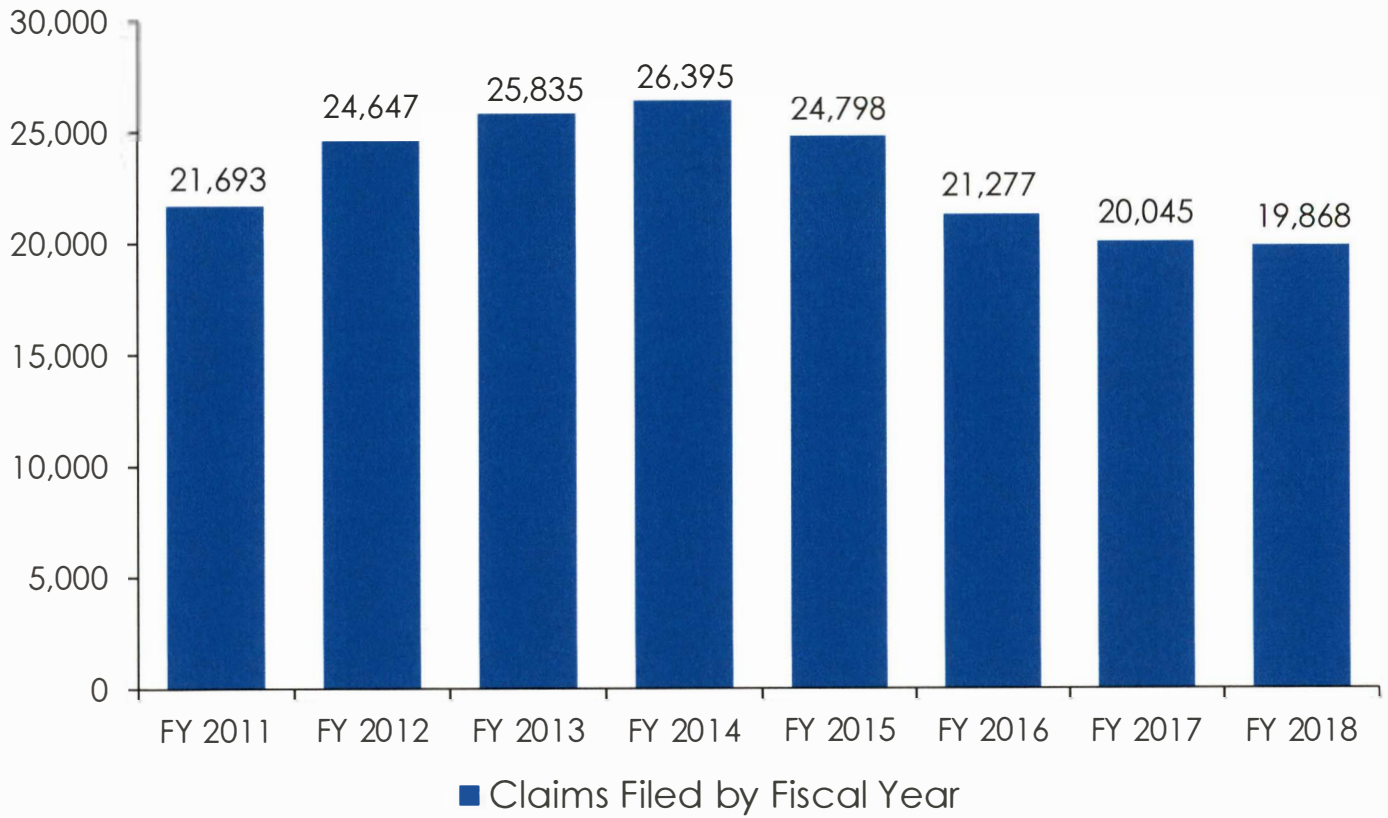




North Dakota Workforce
Safety & Insurance

Key Trends: Claims Filed

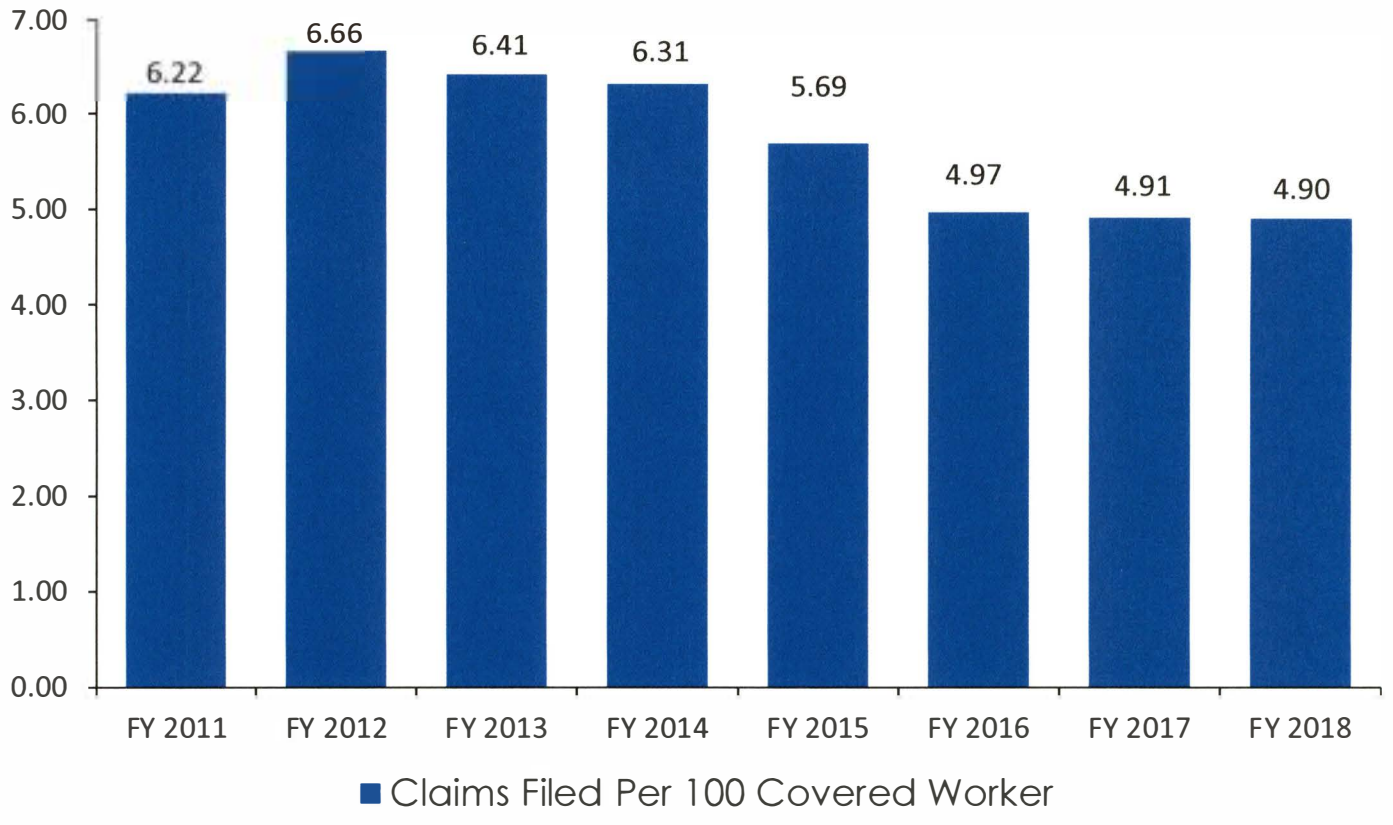
Claims Filed by Fiscal Year





Key Trends: Injury Rates

Claims Filed Per 100 Covered Workers

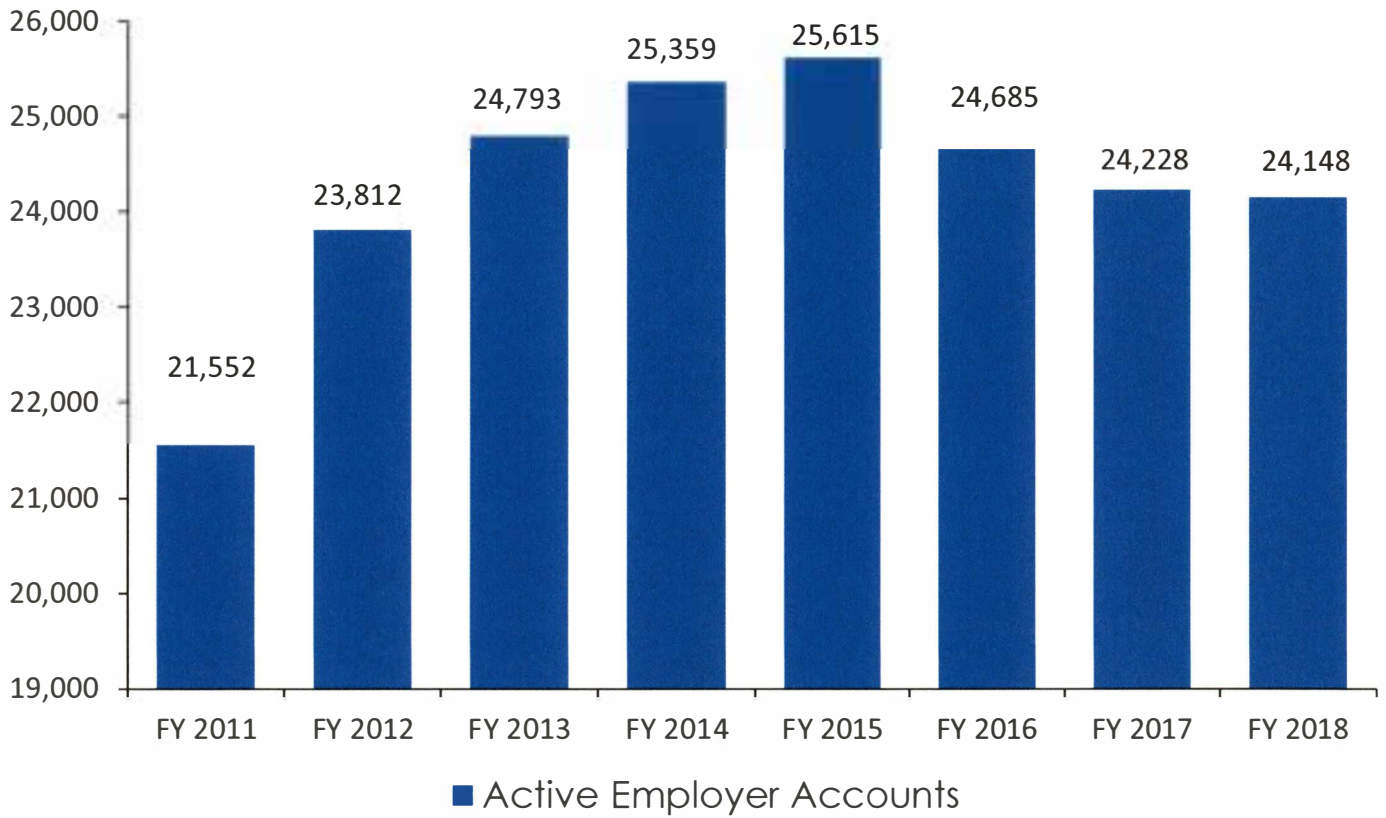




North Dakota Workforce Safety & Insurance

Key Trends: Active Accounts

Active Employer Accounts



1-9-19 SB 2021 #1

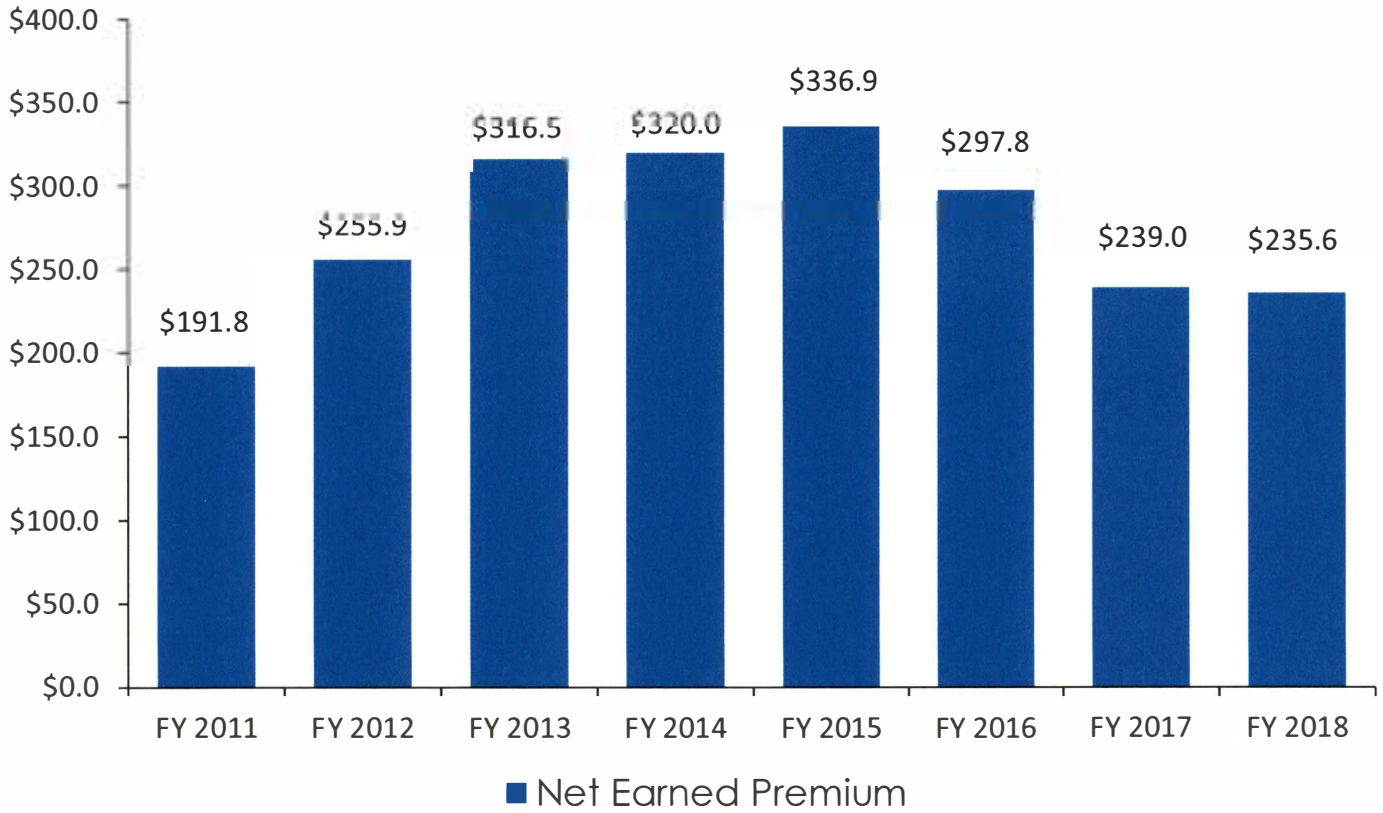
P24

WSI

North Dakota Workforce
Safety & Insurance

Key Trends: Net Earned Premium

Net Earned Premium (\$ Millions)



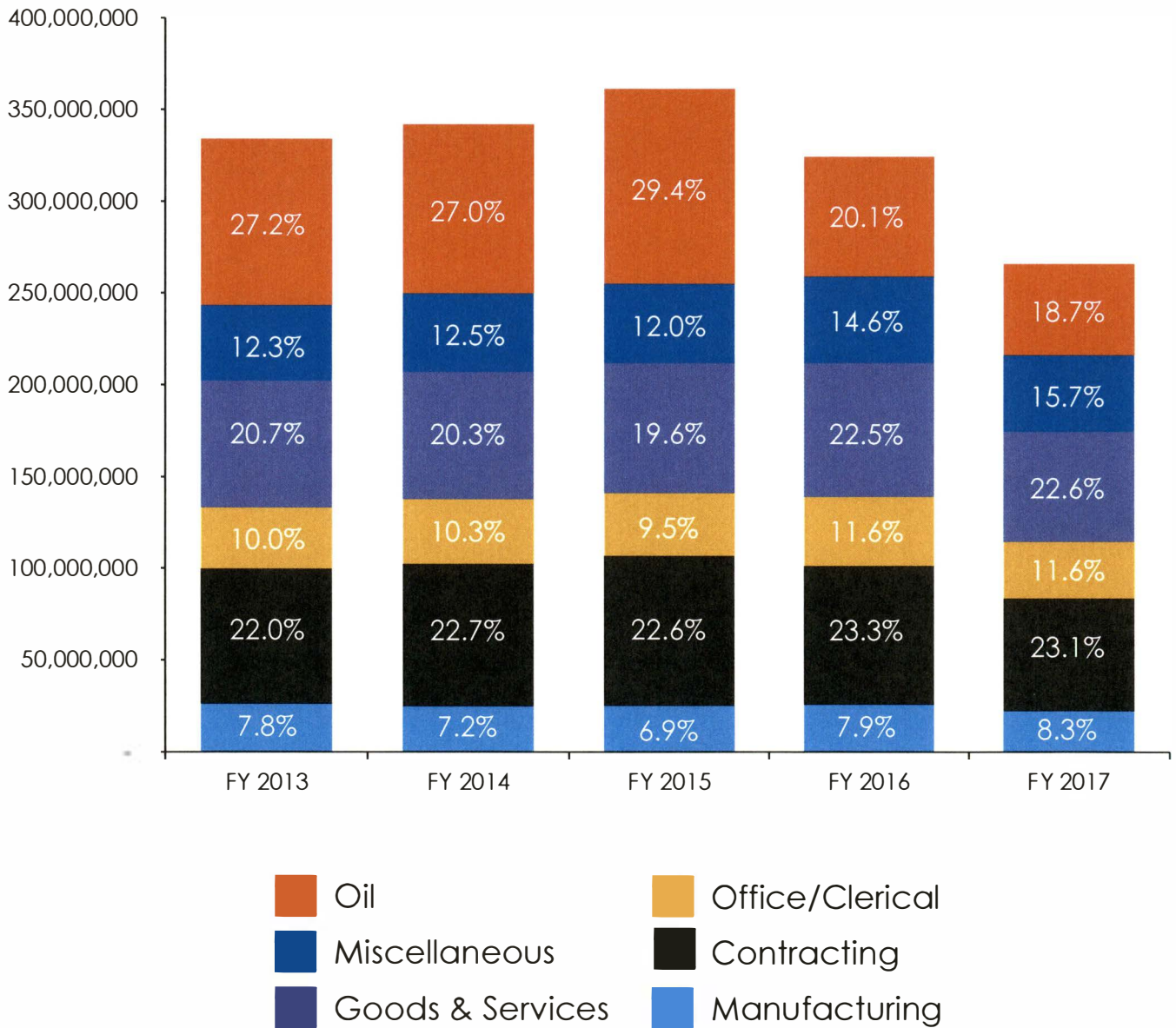
1-9-19 SB2021 #1 P25



North Dakota Workforce Safety & Insurance

Key Trends: Premium by Industry Type

Percent of Earned Premium by Industry Type



Challenges

- Conforming the administration of an employer funded insurance company to the fluctuations in general fund revenue
- Obsolete IT System and Tools (under replacement)
 - CMS
 - PICS
- Lack of IT resource availability (vendor reliant)
- Potential loss of institutional knowledge due to workforce attrition
- Rewards & Recognition

1-9-19 9B 2021

#1
P27

WSI

North Dakota Workforce
Safety & Insurance

Key Trends: Staffing History

Staffing History

- During the oil boom, WSI in large part increased staff with temporary employees
- Post-oil boom, WSI mainly reduced staff through temporary employees
- Since 2015, the number of full-time equivalent temporary positions has been reduced from 31.7 to 7.7, a reduction of 24 or 76%
- Since 2015, the total number of employees (FTEs & temps) has been reduced from 281.7 to 267.7, a reduction of 14 or 5%



1-9-19 SB 2021 #1

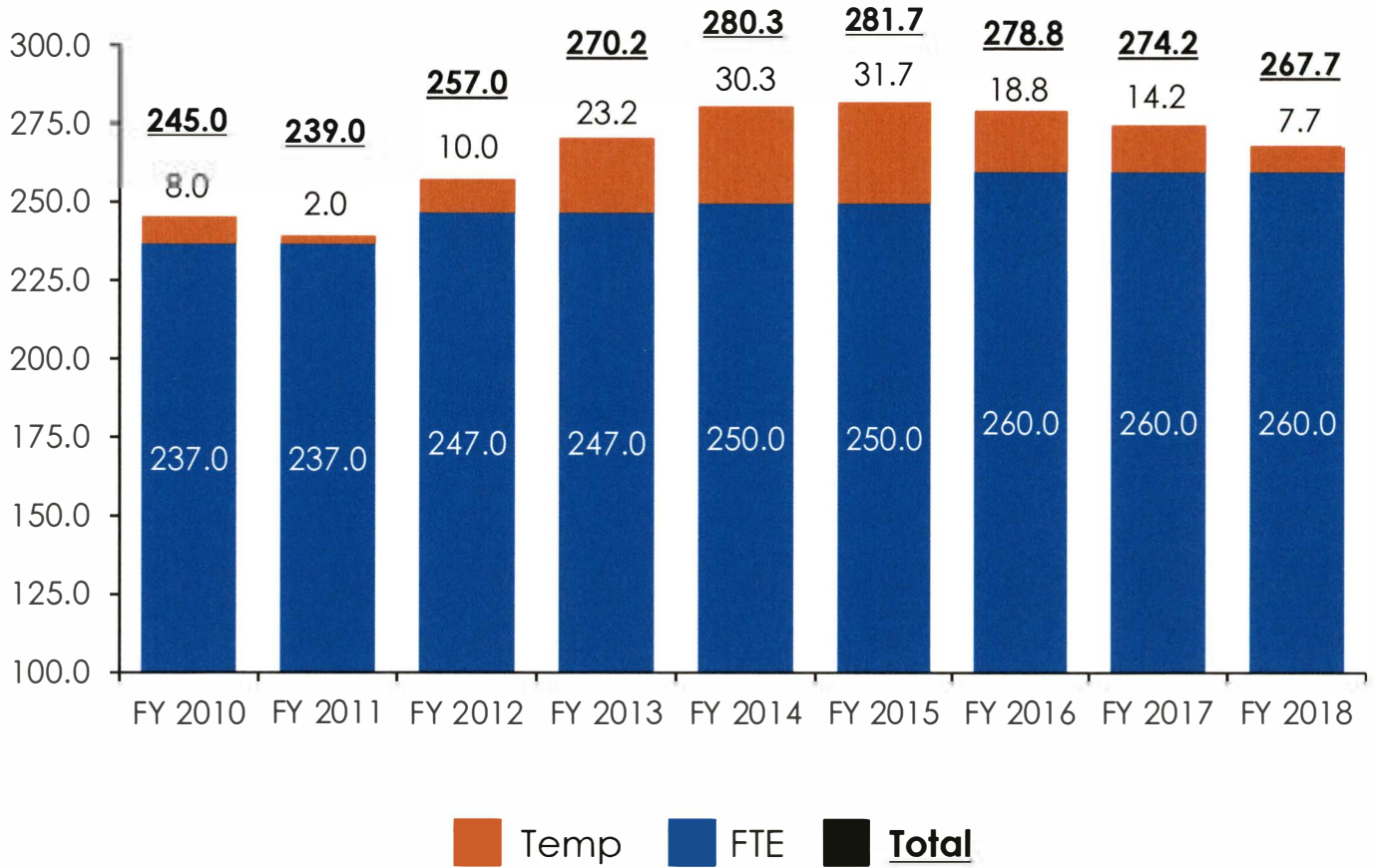


North Dakota Workforce
Safety & Insurance

Key Trends: Employee Count

P28

Employee Count by Fiscal Year



GOVERNOR

DIRECTOR

HUMAN RESOURCE DIRECTOR

TEMP CONSTITUENT LAISON

DIRECTOR DECISION REVIEW OFFICE

EXECUTIVE SECRETARY

INTERNAL AUDIT DIRECTOR

CHIEF OPERATING OFFICER

COMMUNICATIONS DIRECTOR

CHIEF OF INJURY SERVICES

FACILITIES MANAGER

IT DIRECTOR

CHIEF OF EMPLOYER SERVICES

QUALITY ASSURANCE DIRECTOR

DIRECTOR OF FINANCE

GENERAL COUNSEL

TEMP EXECUTIVE SUPPORT

6/1-9-19
#1
SB 2021
P 29

P 29

WSI

North Dakota Workforce
Safety & Insurance

Organization/Leadership

■ Executive Team

1-9-19 SB 2021

#1
p30

WSI

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Safety & Insurance

Strategic Direction Technology

Technology Strategy

Claims and Policy System (CAPS). The CAPS program replaces core business systems supporting 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. This will enable WSI to remain current with technology and take advantage of technology enhancements as they occur while conforming to standard industry best practices. A multi-phase evolutionary approach is being used.

The CAPS program consists of five phases. WSI completed Phase 1, a comprehensive planning and analysis phase in June 2015 and launched this large, multi-year program in July 2015. Phases 2 through 4 are each made up of multiple releases, each release delivering functionality in a production environment every six to nine months. In total there are 20 releases with final completion projected for fall 2025 at an estimated cost of just under \$30,000,000. Phase 5 covers full program implementation / transition and program closeout and is projected to be completed by first quarter 2026.

WSI is currently working on Phase 3, which addresses Policy (PICS) application refacing, and is made up of six releases. Release 4 – Policy Registration and Release 5 – Policy Maintenance Part 1 were each completed on or close to schedule and under budget. Release 6 – Policy Maintenance Part 2 is scheduled to be completed by May 2019 and is progressing on schedule and within budget.



1-9-19 SB 2021

#1
P31

WSI

North Dakota Workforce
Safety & Insurance

Strategic Direction Technology

Technology Strategy

Phase 3, which addresses policy functionality, consists of six releases and is projected to be completed by third quarter 2020. Phase 4, which addresses claims functionality, consists of eleven releases and is projected to be completed third quarter 2025.

WSI Claims and Policy System (CAPS) Program

Phase	Number of Releases	Completion Date
1-Planning and Analysis		Completed June 2015
2-SharedComponents Refacing	3	Completed February 2017
3 – PICS Application Refacing	6	September 2020
4 - CMS Application Refacing	11	September 2025
5 – Program Finalization		January 2026

Extranet Project and Extranet Enhancement Project The Workforce Safety and Insurance (WSI) Extranet Project will create a secure self-service portal for authenticated external stakeholders (i.e., employers, providers, and injured workers) to view, update, and submit information related to interactions with WSI.

WSI conducted a communications audit in 2011 that recommended three initiatives to improve clarity, governance, and service to injured workers. The initiatives included a re-designed internal intranet, a re-designed public internet web site, and a secure extranet portal for injured workers, employers and medical providers.



1-7-19 SB2021 #1

P32

WSI

North Dakota Workforce
Safety & Insurance

Strategic Direction Technology

Technology Strategy continued

The intranet (2011) and external web site (2015) projects have been completed successfully. The extranet project (2017) enabled WSI's customers to securely access needed information via the Internet through an extranet portal and included a re-designed ND login process. The extranet project was completed successfully. The extranet was branded with the name myWSI.

WSI continued to deliver new features to myWSI with the myWSI Enhancement Project (2019). The myWSI enhancement project consists of two releases. Release 1, which included common services, provider bill status, UR-C/UR Chiro enhancements and medical records submission was completed successfully in April 2018. Release 2, which includes integration with CAPS, employer payment/file retrieval functionality, FileNet integration, forms retrieval, reporting integration and Notification management is scheduled for completion June 2019.

WSI plans to continue efforts to enhance myWSI with Release 3 and Release 4 (2019-2021), enhancing and adding additional functionality for key stakeholders; injured workers, employers, medical providers and internal WSI staff.



1-9-19 SB2021 #1 P33



North Dakota Workforce
Safety & Insurance

Our Vision

- Continue to leverage technology to create efficiencies and improve service
- Continued reductions in statewide injury rates
- Expand the use of internal dashboards
- Enhance and improve employee development
- Maximize automation to the extent possible of the compensation and medical payment and remit processes, as well as premium payments
- Increase use of online tools to eliminate manual entry and processes

Online Services

As of 09/30/2018

Online Claims as a Percent of Total Claims Filed - % of claims filed that were received online	72%
Percent of Medical Bills Received Electronically - % of bills submitted that were received through EDI & iHCFA	42%
Employer Payroll Reports Received Electronically - % of payroll renewal reports that were received online	88%
Employer Applications Received Electronically - % of employer applications for insurance that were received online	71%



1-9-19 SB 2021 #1
P34

Celebrating 100 Years of Providing a Safe, Secure and Healthy North Dakota Workforce.

WSI
North Dakota Workforce Safety & Insurance

100th

ANNIVERSARY



1919 - 2019

P 34

SB 2021 WSI

SB 2021 1-9-19

#2

P1

**Follow-Up from the Senate Appropriations Committee meeting 01-09-19
Workforce Safety & Insurance**

1. How does ND benefit structure compare to other states?

The chart on page 12 of the testimony power point contains some wage and benefit comparisons to other states. This information is obtained from the other state's websites. Some information is also derived from the US Chamber Analysis of WC Laws.

Because benefit types and rates vary so widely between all the different jurisdictions across the United States, there is no generally accepted benefits comparison available. That being said, certain portions of systems can be compared. Attached map has extracted certain benefits levels for comparison within our region.

2. What do other states do with farmers/ranchers?

Agricultural coverage is optional in many states, similar to North Dakota. ND has 698 accounts currently opting for farm coverage.

2005 HB 1510 was the last bill proposed to remove the agricultural exemption. The bill failed in the House 81-7.

3. Do Federal employees who volunteer for fire, ambulance, etc., get wage loss benefit for injury as volunteer?

The North Dakota Century Code directs how WSI considers wages. All injured workers, whether paid or volunteer qualify for wage loss benefits. When determining the benefits level, only North Dakota WSI insured wages are considered. To the extent a volunteer has non-WSI insured federal wages or self-employed wages for which they did not elect coverage, they would not be used in determining the wage loss benefit level.

4. Who is responsible for volunteer fire, ambulance services to file volunteer workers comp coverage paperwork?

The majority of Volunteer Fire districts are embedded into the municipalities (city or county) they serve, and paperwork is submitted as part of that organization's annual filing. For those fire districts outside a municipality, annual paper work is usually submitted by the fire chief or other fire district representative.

Regarding volunteer ambulance services, a member of the association or other designated personnel from the municipality being served by the ambulance service is responsible for filing of annual paperwork.

P1

SB 2021
1-9-19
#2
P2

Information Request from Legislative Council

Will you please provide information on the number of times in the last 18 months that WSI used an independent medical review and how many times the review sided with the injured worker?

WSI has authority under 65-05-28 to do either independent medical examination and independent medical reviews and the statute defines what each is at subsection 3.

WSI has undergone numerous reviews of the number used, outcomes and application of the statute. The 2014 Performance Evaluation of North Dakota Workforce Safety and Insurance, conducted by Sedgwick, reviewed WSI's usage and outcomes of IME's. The report found a much lower overall frequency of IME usage as compared with other jurisdictions, and a higher number of conclusions that were favorable overall to WSI's position. The examiner offers as an explanation, because of a greater selectivity in the use of IME's, then a higher likelihood of agreement may be expected. Our current numbers bear this out. As requested, here are the last 18 months.

IME's -7/1/2017 to 1/1/2019

Outcome Totals:

Unfavorable to WSI:	13
Mixed Response:	21
Favorable to WSI	50

IMR's -7/1/2017 to 1/1/2019

Outcome Totals:

Unfavorable to WSI:	1
Mixed Response:	0
Favorable to WSI	5

P2

Workforce Safety and Insurance - Budget No. 485
Senate Bill No. 2021
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	260.14	\$0	\$63,473,062	\$63,473,062	260.14	\$0	\$63,473,062	\$63,473,062
2019-21 Ongoing Funding Changes								
Base payroll changes			(\$1,821,876)	(\$1,821,876)				\$0
Salary increase			1,831,146	1,831,146				0
Health insurance increase			912,491	912,491				0
Retirement contribution increase			239,412	239,412				0
Transfer 12 FTE positions to ITD for IT unification	(12.00)		(2,532,319)	(2,532,319)				0
Transfer 1 temporary position to ITD for IT unification			(99,840)	(99,840)				0
Underfund 6 FTE positions			(1,012,252)	(1,012,252)				0
Add funding for IT operating expenses			2,824,915	2,824,915				0
Reduce funding for other operating expenses			(2,332,176)	(2,332,176)				0
Add funding for Microsoft Office 365 licensing expenses			14,988	14,988				0
Total ongoing funding changes	(12.00)	\$0	(\$1,975,511)	(\$1,975,511)	0.00	\$0	\$0	\$0
One-time funding items								
Add funding for the CAPS replacement project			\$7,010,000	\$7,010,000				\$0
Add funding for the MyWSI enhancement project			850,000	850,000				0
Total one-time funding changes	0.00	\$0	\$7,860,000	\$7,860,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(12.00)	\$0	\$5,884,489	\$5,884,489	0.00	\$0	\$0	\$0
2019-21 Total Funding	248.14	\$0	\$69,357,551	\$69,357,551	260.14	\$0	\$63,473,062	\$63,473,062

Other Sections for Workforce Safety and Insurance - Budget No. 485

	Executive Budget Recommendation	Senate Version
Other funds appropriation	Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance in excess of those funds appropriated in Section 1 for the 2019-21 biennium.	

/ SB 2021 sub
 1-29-2019
 PJ /

Follow-Up from the Senate Appropriations Sub-Committee meeting 01-29-19 Workforce Safety & Insurance

1. How many OAH decisions are appealed by WSI?

During Fiscal Years 2017 and 2018, there were approximately 352 hearings held. During this same time period, twenty-nine ALJ decisions were appealed. Eighteen decisions were appealed by injured employees and eleven decisions were appealed by WSI.

2. How does WSI explain their low rates?

Page # 11, under Tab # 4 of the Budget Testimony, is an outline of the various areas WSI strives to excel in. Each of these areas contribute to keeping rates as low as possible, while providing a strong benefit package to injured workers.

3. Why is the percentage of IME outcomes that are favorable to WSI so high?

When an independent audit firm, Sedgwick, conducted the 2014 Performance Evaluation of North Dakota Workforce Safety and Insurance, they reviewed IME usage and outcomes. The report found a much lower overall frequency of IME usage as compared with other jurisdictions, and a higher number of conclusions that were favorable overall to WSI's position.

In this report, the examiner explained **that a higher likelihood of agreement may be expected due to WSI's greater selectivity in the use of IME's.**

The table below is from the 2014 Performance Evaluation report issued by Sedgwick.

Table 1.1: Count of claims reported and IMEs scheduled by Calendar Year (2011 – 2013)

Reported Claims	CY 2011 Reported	2011 IMEs	%	CY 2012 Reported	2012 IMEs	%	CY 2013 Reported	2013 IMEs	%
No Time Loss	20,331	12	0.1%	22,070	13	0.1%	22,809	18	0.1%
Time Loss	2,964	41	1.4%	3,296	61	1.9%	3,417	72	2.1%
Total	23,295	53	0.23%	25,366	74	0.29%	26,226	90	0.34%

There were a total of 217 claims in the three years of this evaluation period. Fewer than 2% of all the "time loss" claims had IME evaluations scheduled at some point. A very small percentage of those scheduled were cancelled or "no shows" on the part of the claimant.

This trend continues to be seen in our current numbers.

IME's	July 1, 2017 through January 1, 2019
Outcome Results:	
Unfavorable to WSI	13
Mixed Response	21
Favorable to WSI	50

Workforce Safety and Insurance - Budget No. 485
Senate Bill No. 2021
Base Level Funding Changes

#1
 JB 2021 sub.
 2-6-2019
 pg 1

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total	Increase (Decrease) - Executive Budget			
									FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	260.14	\$0	\$63,473,062	\$63,473,062	260.14	\$0	\$63,473,062	\$63,473,062	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			(\$1,821,876)	(\$1,821,876)				\$0			\$1,821,876	\$1,821,876
Salary increase			1,831,146	1,831,146			1,282,527	1,282,527			(548,619)	(548,619)
Health insurance increase			912,491	912,491			1,077,441	1,077,441			164,950	164,950
Retirement contribution increase			239,412	239,412				0			(239,412)	(239,412)
Transfer 12 FTE positions to ITD for IT unification	(12.00)		(2,532,319)	(2,532,319)				0	12.00		2,532,319	2,532,319
Transfer 1 temporary position to ITD for IT unification			(99,840)	(99,840)				0			99,840	99,840
Underfund 6 FTE positions			(1,012,252)	(1,012,252)				0			1,012,252	1,012,252
Add funding for IT operating expenses			2,824,915	2,824,915				0			(2,824,915)	(2,824,915)
Reduce funding for other operating expenses			(2,332,176)	(2,332,176)				0			2,332,176	2,332,176
Add funding for Microsoft Office 365 licensing expenses			14,988	14,988				0			(14,988)	(14,988)
Total ongoing funding changes	(12.00)	\$0	(\$1,975,511)	(\$1,975,511)	0.00	\$0	\$2,359,968	\$2,359,968	12.00	\$0	\$4,335,479	\$4,335,479
One-time funding items												
Add funding for the CAPS replacement project			\$7,010,000	\$7,010,000				\$0			(\$7,010,000)	(\$7,010,000)
Add funding for the MyWSI enhancement project			850,000	850,000				0			(850,000)	(850,000)
Total one-time funding changes	0.00	\$0	\$7,860,000	\$7,860,000	0.00	\$0	\$0	\$0	0.00	\$0	(\$7,860,000)	(\$7,860,000)
Total Changes to Base Level Funding	(12.00)	\$0	\$5,884,489	\$5,884,489	0.00	\$0	\$2,359,968	\$2,359,968	12.00	\$0	(\$3,524,521)	(\$3,524,521)
2019-21 Total Funding	248.14	\$0	\$69,357,551	\$69,357,551	260.14	\$0	\$65,833,030	\$65,833,030	12.00	\$0	(\$3,524,521)	(\$3,524,521)

Other Sections for Workforce Safety and Insurance - Budget No. 485

	Executive Budget Recommendation	Senate Version
Other funds appropriation	Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance in excess of those funds appropriated in Section 1 for the 2019-21 biennium.	

#2

SB 2021 Sub

2-6-2019

pg 1

Follow-Up from the Senate Appropriations Sub-Committee meeting 01-29-19 Workforce Safety & Insurance

1. How many OAH decisions are appealed by WSI?

During Fiscal Years 2017 and 2018, there were approximately 352 hearings held. During this same time period, twenty-nine ALJ decisions were appealed. Eighteen decisions were appealed by injured employees and eleven decisions were appealed by WSI.

2. How does WSI explain their low rates?

Page # 11, under Tab # 4 of the Budget Testimony, is an outline of the various areas WSI strives to excel in. Each of these areas contribute to keeping rates as low as possible, while providing a strong benefit package to injured workers.

3. Why is the percentage of IME outcomes that are favorable to WSI so high?

When an independent audit firm, Sedgwick, conducted the 2014 Performance Evaluation of North Dakota Workforce Safety and Insurance, they reviewed IME usage and outcomes. The report found a much lower overall frequency of IME usage as compared with other jurisdictions, and a higher number of conclusions that were favorable overall to WSI's position.

In this report, the examiner explained **that a higher likelihood of agreement may be expected due to WSI's greater selectivity in the use of IME's.**

The table below is from the 2014 Performance Evaluation report issued by Sedgwick.

Table 1.1: Count of claims reported and IMEs scheduled by Calendar Year (2011 – 2013)

Reported Claims	CY 2011 Reported	2011 IMEs	%	CY 2012 Reported	2012 IMEs	%	CY 2013 Reported	2013 IMEs	%
No Time Loss	20,331	12	0.1%	22,070	13	0.1%	22,809	18	0.1%
Time Loss	2,964	41	1.4%	3,296	61	1.9%	3,417	72	2.1%
Total	23,295	53	0.23%	25,366	74	0.29%	26,226	90	0.34%

There were a total of 217 claims in the three years of this evaluation period. Fewer than 2% of all the "time loss" claims had IME evaluations scheduled at some point. A very small percentage of those scheduled were cancelled or "no shows" on the part of the claimant.

This trend continues to be seen in our current numbers.

IME's	July 1, 2017 through January 1, 2019
Outcome Results:	
Unfavorable to WSI	13
Mixed Response	21
Favorable to WSI	50

#1 5B 2021
2-12-2019

19.0234.01002
Title.
Fiscal No. 2

Prepared by the Legislative Council staff for
the Senate Appropriations Committee
February 11, 2019

pg 1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2021

Page 1, replace lines 8 through 13 with:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Workforce safety and insurance operations	\$63,473,062	\$5,198,693	\$68,671,755
Total special funds	\$63,473,062	\$5,198,693	\$68,671,755
Full-time equivalent positions	260.14	(12.00)	248.14"

Page 1, line 14, after "FUNDING" insert "- EFFECT ON BASE BUDGET - REPORT TO SIXTY-SEVENTH LEGISLATIVE ASSEMBLY"

Page 1, line 15, after "biennium" insert "and the one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 16 through 21 with:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
Claims and policy system replacement project	\$8,120,097	\$7,010,000
MyWSI extranet enhancement project	538,500	850,000
Internal reporting system	275,000	0
Electronic payment processing system	<u>75,000</u>	<u>0</u>
Total other funds	\$9,008,597	\$7,860,000

The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. Workforce safety and insurance shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2021 - Workforce Safety and Insurance - Senate Action

	<u>Base Budget</u>	<u>Senate Changes</u>	<u>Senate Version</u>
WSI operations	\$63,473,062	\$5,198,693	\$68,671,755
Total all funds	\$63,473,062	\$5,198,693	\$68,671,755
Less estimated income	63,473,062	5,198,693	68,671,755
General fund	\$0	\$0	\$0
FTE	260.14	(12.00)	248.14

#1

SB 2021
2-12-2019

pg 2

Department 485 - Workforce Safety and Insurance - Detail of Senate Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Salary and Benefit Increases ²	Unfunds 6 FTE Positions ³	Adjusts Funding for IT Unification ⁴	Reduces Funding for Operating Expenses ⁵	Adds Funding for Microsoft Office 365 Licenses ⁶
WSI operations	(\$1,821,876)	\$2,359,968	(\$1,012,252)	\$130,041	(\$2,332,176)	\$14,988
Total all funds	(\$1,821,876)	\$2,359,968	(\$1,012,252)	\$130,041	(\$2,332,176)	\$14,988
Less estimated income	(1,821,876)	2,359,968	(1,012,252)	130,041	(2,332,176)	14,988
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	(12.00)	0.00	0.00

	Adds One-Time Funding for the CAPS Replacement Project ⁷	Adds One-Time Funding for the MyWSI Enhancement Project ⁸	Total Senate Changes
WSI operations	\$7,010,000	\$850,000	\$5,198,693
Total all funds	\$7,010,000	\$850,000	\$5,198,693
Less estimated income	7,010,000	850,000	5,198,693
General fund	\$0	\$0	\$0
FTE	0.00	0.00	(12.00)

¹ Funding is adjusted for base payroll changes.

² The following funding is added for 2019-21 biennium salary adjustments of 2 percent on July 1, 2019, and 3 percent on July 1, 2020, and increases in health insurance premiums from \$1,241 to \$1,427 per month:

Other Funds

Salary increase	\$1,282,527
Health insurance increase	1,077,441
Total	\$2,359,968

³ Funding for 6 FTE positions is removed.

⁴ Funding is adjusted for the information technology unification initiative, including the transfer of 12 FTE positions and 1 temporary position to the Information Technology Department, as shown below:

	FTE	Other Funds
Transfers 12 FTE positions	(12.00)	(\$2,532,319)
Transfers 1 temporary position	0.00	(99,840)
Adds funding for IT operating expenses	0.00	2,762,200
Total	(12.00)	\$130,041

⁵ Funding for operating expenses, primarily related to professional service fees, is reduced.

⁶ Funding is added for Microsoft Office 365 licensing expenses.

⁷ One-time funding of \$7,010,000 is added from the workmens compensation fund for the claims and policy system replacement project for releases 7 through 10 of the 20 release project. The total project is estimated to cost \$29.5 million and has an estimated completion date of June 2026.

⁸ One-time funding of \$850,000 is added from the workmens compensation fund for the MyWSI extranet enhancement project. The 2017 Legislative Assembly appropriated \$538,500 for the project for the 2017-19 biennium.

**Department 485 - Workforce Safety and Insurance
Senate Bill No. 2021**

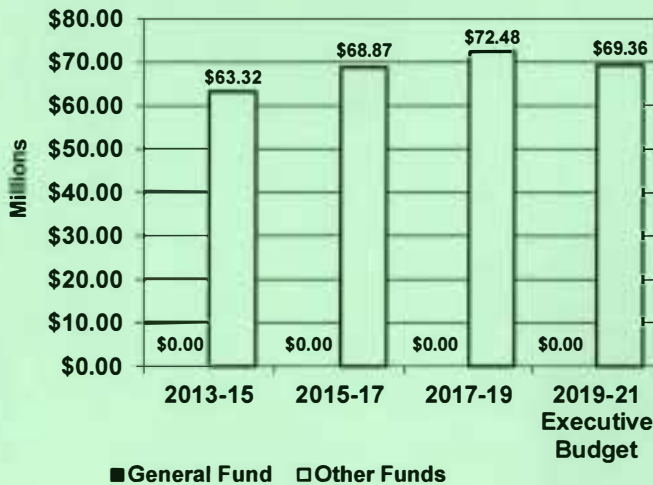
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	248.14	\$0	\$69,357,551	\$69,357,551
2017-19 Legislative Appropriations	260.14	0	72,481,659	72,481,659
Increase (Decrease)	(12.00)	\$0	(\$3,124,108)	(\$3,124,108)

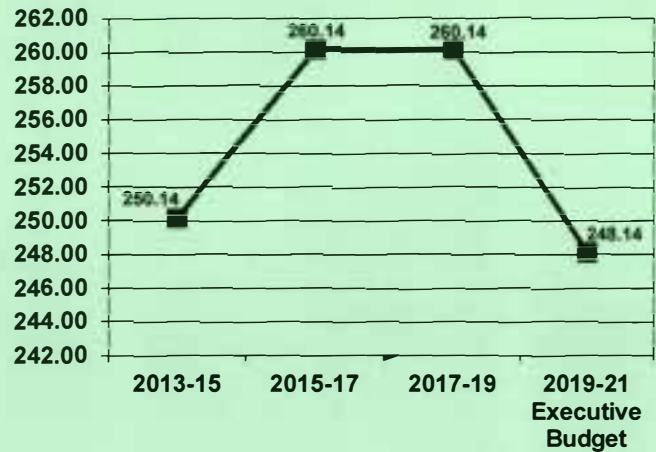
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$61,497,551	\$7,860,000	\$69,357,551
2017-19 Legislative Appropriations	63,473,062	9,008,597	72,481,659
Increase (Decrease)	(\$1,975,511)	(\$1,148,597)	(\$3,124,108)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$69,357,551	\$69,357,551
2019-21 Base Level	0	63,473,062	63,473,062
Increase (Decrease)	\$0	\$5,884,489	\$5,884,489

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$1,831,146 is for salary increases, \$912,491 is for health insurance increases, and \$239,412 is for retirement contribution increases. The Senate added funding for salary adjustments of 2 percent for the 1st year of the biennium and 3 percent for the 2nd year and increases in health insurance premiums from \$1,241 to \$1,427 per month. The Senate did not add funding for retirement contribution increases.	\$0	\$2,983,049	\$2,983,049
2. Transfers 12 FTE positions to the Information Technology Department for the information technology unification initiative	\$0	(\$2,532,319)	(\$2,532,319)
3. Transfers 1 temporary position to the Information Technology Department for the information technology unification initiative	\$0	(\$99,840)	(\$99,840)

4. Adds funding for information technology operating expenses related to the IT unification initiative. The Senate added funding of \$2,762,200 for information technology operating expenses related to the IT unification initiative.	\$0	\$2,824,915	\$2,824,915
5. Underfunds 6 FTE positions	\$0	(\$1,012,252)	(\$1,012,252)
6. Reduces funding for operating expenses, primarily related to professional service fees	\$0	(\$2,332,176)	(\$2,332,176)
7. Adds funding for Microsoft Office 365 licensing expenses	\$0	\$14,988	\$14,988
8. Adds one-time funding for the claims and policy system replacement project for releases 7 through 10 of the 20 release project. The total project is estimated to cost \$29.5 million and has an estimated completion date of June 2026.	\$0	\$7,010,000	\$7,010,000
9. Adds one-time funding for the MyWSI enhancement project. The 2017 Legislative Assembly appropriated \$538,500 for the project for the 2017-19 biennium.	\$0	\$850,000	\$850,000

Other Sections in Senate Bill No. 2021

There are no other sections for this agency.

Continuing Appropriations

Building maintenance account - North Dakota Century Code Section 65-02-05.1 - Money in the WSI building maintenance account is appropriated on a continuing basis for bond principal and interest payments, operating, maintenance, repair, and payment in lieu of taxes expenses of the buildings and grounds.

Reinsurance and other states' coverage - Section 65-02-13.1 - Money in the WSI fund is appropriated on a continuing basis to allow the agency to establish a program of reinsurance and a program of extraterritorial coverage and other states' insurance.

Allocated loss adjustment expenses - Section 65-02-06.1 - Money in the WSI fund is appropriated on a continuing basis for the payment of all allocated loss adjustment expenses experienced by the agency.

Preferred worker program - Section 65-05-36 - Money in the WSI fund is appropriated on a continuing basis for the payment of the expense of conducting a biennial independent performance evaluation.

Insurance fraud unit - Section 65-02-23 - Money in the WSI fund is appropriated on a continuing basis for the payment of costs associated with identifying, preventing, and investigating employer or provider fraud.

Information fund - Section 65-01-13 - Money in the WSI information fund is appropriated on a continuing basis for the payment of publication and statistical processing expenses incurred by the agency.

Safety programs - Section 65-03-04 - Money in the WSI fund is appropriated on a continuing basis for the purpose of funding work safety and loss prevention programs.

Educational revolving loan fund - Section 65-05.1-08 - Money in the WSI educational revolving loan fund is appropriated on a continuing basis to maintain the fund and provide loans to individuals wanting to pursue a postsecondary education.

Litigation expense - Section 65-02-06.2 - Money in the WSI fund is appropriated for expenses associated with litigating employer-related issues and for payment of organization expenses associated with litigating medical provider-related issues.

Collection agency fees - Section 54-06-29 - Payment of fees to The Affiliated Group to assist in collection past-due accounts.

Independent performance evaluation - Section 65-02-30 - Requires that once every 4 years, the WSI Director shall request the State Auditor's office to select a firm with extensive expertise in workers' compensation practices and standards to complete a performance evaluation of the functions and operations of the organization.

Significant Audit Findings

The financial statement audit for WSI conducted by Eide Bailly LLP, for the period ending June 30, 2018, identified no significant audit findings.

The performance evaluation for WSI conducted by Sedgwick Claims Management Service, Inc., for the period ending December 31, 2017, identified 14 recommendations related to operational efficiencies, tracking certain injured worker statistics, addressing legislation related to opioids and morphine, encouraging policyholder use of the learning management system, compiling certain reports for policyholders, continuing to promote safety incentive programs to nonparticipants, and training staff in fraud detection.

Major Related Legislation

House Bill No. 1064 - Requires WSI to report statistical information and results regarding case processing standards and policies to the Legislative Management and the State Advisory Council each quarter.

House Bill No. 1072 - Allows WSI to charge a penalty of up to \$5,000 to employers who deduct any portion of premiums from the wages or salary of an employee eligible for benefits. The bill also allows WSI to charge a fee of \$250 plus additional penalties when an employer defaults in the payment of a premium, an installment of the premium, penalty or interest, or the filing of bonds.

If a general contractor or a subcontractor willfully uses the services of a subcontractor preclude from operating under a cease and desist order, WSI may charge a penalty of \$5,000 and \$100 per day for each day the violation occurs

House Bill No. 1073 - 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 in 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 - Budget No. 485
Senate Bill No. 2021
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	260.14	\$0	\$63,473,062	\$63,473,062	260.14	\$0	\$63,473,062	\$63,473,062
2019-21 Ongoing Funding Changes								
Base payroll changes			(\$1,821,876)	(\$1,821,876)			(\$1,821,876)	(\$1,821,876)
Salary increase			1,831,146	1,831,146			1,282,527	1,282,527
Health insurance increase			912,491	912,491			1,077,441	1,077,441
Retirement contribution increase			239,412	239,412				0
Underfund 6 FTE positions			(1,012,252)	(1,012,252)			(1,012,252)	(1,012,252)
Transfer 12 FTE positions to ITD for IT unification	(12.00)		(2,532,319)	(2,532,319)	(12.00)		(2,532,319)	(2,532,319)
Transfer 1 temporary position to ITD for IT unification			(99,840)	(99,840)			(99,840)	(99,840)
Add funding for IT operating expenses			2,824,915	2,824,915			2,762,200	2,762,200
Reduce funding for other operating expenses			(2,332,176)	(2,332,176)			(2,332,176)	(2,332,176)
Add funding for Microsoft Office 365 licensing expenses			14,988	14,988			14,988	14,988
Total ongoing funding changes	(12.00)	\$0	(\$1,975,511)	(\$1,975,511)	(12.00)	\$0	(\$2,661,307)	(\$2,661,307)
One-time funding items								
Add funding for the CAPS replacement project			\$7,010,000	\$7,010,000			\$7,010,000	\$7,010,000
Add funding for the MyWSI enhancement project			850,000	850,000			850,000	850,000
Total one-time funding changes	0.00	\$0	\$7,860,000	\$7,860,000	0.00	\$0	\$7,860,000	\$7,860,000
Total Changes to Base Level Funding	(12.00)	\$0	\$5,884,489	\$5,884,489	(12.00)	\$0	\$5,198,693	\$5,198,693
2019-21 Total Funding	248.14	\$0	\$69,357,551	\$69,357,551	248.14	\$0	\$68,671,755	\$68,671,755

Other Sections for Workforce Safety and Insurance - Budget No. 485

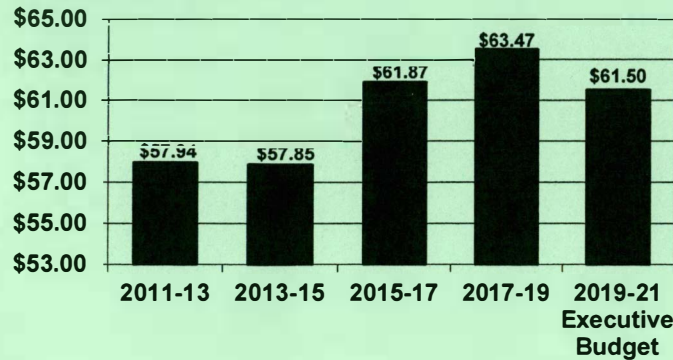
	Executive Budget Recommendation	Senate Version
Other funds appropriation	Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance in excess of those funds appropriated in Section 1 for the 2019-21 biennium.	

Department 485 - Workforce Safety and Insurance

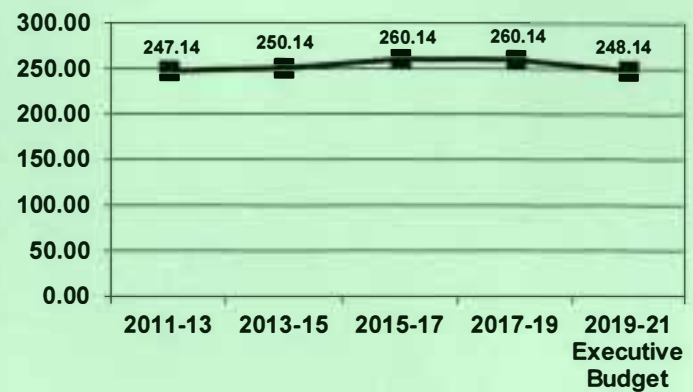
Historical Appropriations Information

Ongoing Other Funds Appropriations Since 2011-13

Agency Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing other funds appropriations	\$57,940,475	\$57,847,422	\$61,865,170	\$63,473,062	\$61,497,551
Increase (decrease) from previous biennium	N/A	(\$93,053)	\$4,017,748	\$1,607,892	(\$1,975,511)
Percentage increase (decrease) from previous biennium	N/A	(0.2%)	6.9%	2.6%	(3.1%)
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	(0.2%)	6.8%	9.5%	6.1%

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2013-15 Biennium

- Added 7 FTE positions, including 1 FTE claims adjuster II position, 1 FTE claims supervisor position, 1 FTE vocational rehabilitation supervisor position, 1 FTE medical case manager supervisor position, 1 FTE underwriter position, 1 FTE compliance officer position, and 1 FTE loss control specialist position. This includes related operating expenses of \$96,060. \$1,303,717
- Transferred 4 FTE positions to the Information Technology Department (\$753,274)
- Adjusted funding for operating expenses to reflect inflationary adjustments and other budget changes (\$4,779,795)

2015-17 Biennium

- Added 6 FTE positions, including 1 FTE underwriter position, 2 FTE vocational rehabilitation case manager positions, 2 FTE nurse case manager positions, and 1 FTE physical therapist position \$878,474
- Converted temporary positions to FTE positions, including 3 FTE claim adjuster positions and 1 FTE collections specialist position \$499,217
- Reduced operating expenses primarily relating to a reduction in information technology software of \$1.5 million (\$1,999,857)

2017-19 Biennium

- Reduced funding for temporary salaries (\$357,942)
- Increased funding for operating expenses, including increases in professional service fees and information technology data processing \$1,199,920
- Removed funding for credit card fees (\$1,200,000)

2019-21 Biennium (Executive Budget Recommendation)

- Transfers 12 FTE positions to the Information Technology Department for the information technology unification initiative (\$2,532,319)

- | | |
|---|---------------|
| 2. Adds funding for information technology operating expenses related to the IT unification initiative.
The Senate added funding of \$2,762,200 for information technology operating expenses related to the IT unification initiative. | \$2,824,915 |
| 3. Underfunds 6 FTE positions | (\$1,012,252) |
| 4. Reduces funding for operating expenses, primarily related to professional service fees | (\$2,332,176) |

**GOVERNOR'S RECOMMENDATION FOR THE
WORKFORCE SAFETY AND INSURANCE AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from the workforce safety and insurance fund in the state treasury, not otherwise appropriated, to workforce safety and insurance, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Workforce safety and insurance operations	\$63,473,062	\$5,884,489	\$69,357,551
Total special funds	\$63,473,062	\$5,884,489	\$69,357,551
Full-time equivalent positions	260.14	(12.00)	248.14

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the appropriation of section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
CAPS software replacement project	\$8,120,097	\$7,010,000
Extranet computer project	538,500	850,000
Internal reporting system updates	<u>275,000</u>	<u>0</u>
Total other fund	\$8,933,597	\$7,860,000

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The workforce safety and insurance agency shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. APPROPRIATION - In addition to the amounts appropriated to workforce safety and insurance in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to workforce safety and insurance for the biennium beginning July 1, 2019, and ending June 30, 2021.

WSI

North Dakota Workforce
Safety & Insurance

Testimony on Engrossed Senate Bill 2021

House Appropriations Committee

02/28/2019

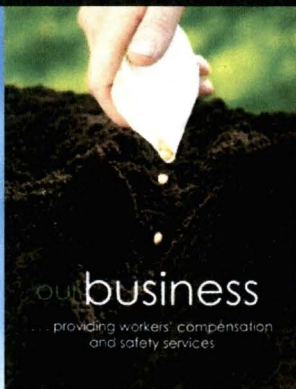
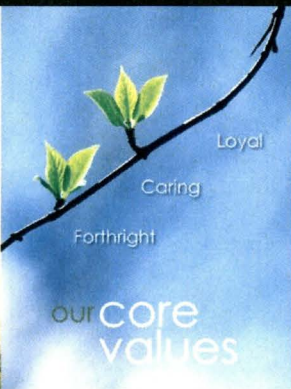
EMPOWER PEOPLE IMPROVE LIVES INSPIRE SUCCESS

our purpose
... to care for injured workers



Loyal
Caring
Forthright

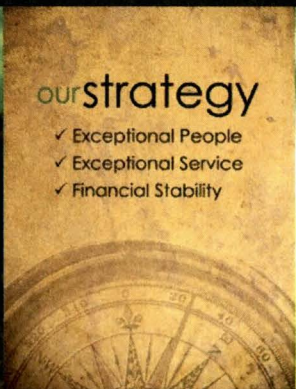
our core values



our business
... providing workers' compensation
and safety services

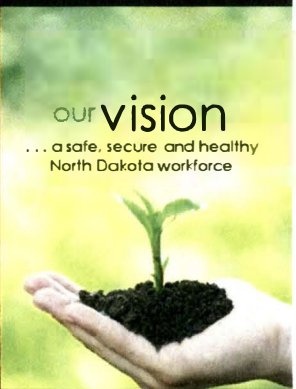
our strategy

- ✓ Exceptional People
- ✓ Exceptional Service
- ✓ Financial Stability



our vision

... a safe, secure and healthy
North Dakota workforce





North Dakota Workforce
Safety & Insurance

Engrossed SB 2021

Budget Appropriation

Table of Contents

1	WSI Budget Testimony (Page 1-5)
2	Budget Information (Page 6-8)
3	Strategic Map
4	Strategic Direction (Page 10-11)
5	Benefit & Premium Information (Page 12-19)
6	Detailed Agency Information (Page 20-25)
7	WSI Challenges - Staffing, Technology (Page 26-33)

2019 Engrossed Senate Bill No. 2021
Testimony before the House Appropriations Committee
Education and Environment Division

AH1

SB 2021

2/28/2019

Presented by:
Bryan Klipfel, WSI Director
Workforce Safety & Insurance
February 28, 2019

Mr. Chairman and Members of the Committee:

Good morning. My name is Bryan Klipfel, Director of Workforce Safety & Insurance (WSI). I am here today to provide testimony on Engrossed Senate Bill 2021, WSI's Appropriation bills. On behalf of WSI, I would like to thank the Chairman and the Committee for providing the agency the opportunity to testify today.

My testimony today will be brief. We have provided you with a packet of exhibits; each of which I will reference to present an overall picture of WSI. There is a table of contents at the front of the packet, just behind the cover sheet. The exhibits will provide you in-depth information for each area of discussion.

WSI Today – Strategic Plan – Vision (where we are going & why the budget requested)

I started with WSI in 2009, shortly after an initiated measure placed the agency back under the Governor. I have worked hard to provide strategic leadership, improve the culture and climate within the agency, and to efficiently manage its' resources. First, we initiated a **Strategic Plan (See Exhibit 3)**.

We implemented the Balanced Scorecard Strategy – a tool that would allow WSI to set and achieve stretch goals.

As outlined in **Exhibit 3**, we identified four major focus areas, or **Strategic Perspectives**. It is called Balanced Scorecard because you concentrate on the four legs of the stool.

1. Customer - Improve customer experience and workforce safety and health.
2. Finance – Ensure resources are secure and utilized efficiently.
3. Internal Process – Improve communications and business operations.
4. Learning & Growth – Improve the agency culture, climate, and employee development.

One important addition to our Strategic Journey was the addition of the servant leadership philosophy. Basically, to lead is to serve. We, as leaders, are responsible for serving and developing those with whom we work. We at WSI have a noble profession of “Caring for Injured Workers.”

The enhancement on our Strategic Journey was the WSI Philosophy to create a healthy organization.

1. Build a cohesive leadership team
2. Create clarity – core purpose; values; strategic anchors; business definition
3. Over-communicate clarity
4. Reinforce clarity

The past two Cultural Surveys have shown that 98% of our employees know about WSI’s Strategic Direction. The most recent addition to our Strategic Journey is Crucial Conversations.

Our Purpose – “To care for injured workers”. That is why WSI exists. North Dakota is known as a state that provides good benefits to injured workers, and good payments to medical providers.

Exhibit 4, pages 10-11, provide additional information and insight into how this is accomplished.

WSI provides good benefits and still offers the lowest premium rates in the nation. **Exhibit 5**, pages 12-15, illustrate how WSI benefits compare with other states.

Throughout history, the North Dakota Legislature has worked closely with WSI to develop legislation to help ensure this purpose is fulfilled. **Exhibit 5** provides a listing of past benefit / service enhancement legislation, pages 16-19.

Performance Measures were identified to measure our success. A brief display of WSI’s key performance measures is presented here, with additional detail in **Exhibit 6**, pages 20-25.

A++1
SB 2021

2/28/2019

WSI Performance Metrics

Performance Indicators	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Injured Worker Satisfaction Survey	4.20	4.23	4.11	4.06	3.99	4.13
Employer Satisfaction Survey	3.57	4.22	4.27	4.31	4.41	4.42
Claims Filed/100 Covered Workers	6.41	6.31	5.69	4.97	4.91	4.90
Wage-loss Claims Filed/100 Covered Workers	0.84	0.83	0.73	0.57	0.58	0.59
Average Annual Premium Rate Adjustment	1.1%	-0.7%	1.3%	4.8%	-2.5%	-7.9%
Investment Returns	8.32%	11.71%	3.27%	3.58%	8.29%	5.34%
Net Position (Fund Surplus) <i>millions</i>	\$354.8	\$439.1	\$454.8	\$466.1	\$608.8	\$681.1
Available Surplus Ratio	33.8%	39.2%	38.9%	39.8%	52.9%	61.9%
Premium Dividends (<i>millions</i>)	\$147.6	\$95.6	\$92.8	\$123.2	\$117.9	\$105.1
WSI Employee Turnover	8.2%	7.2%	9.3%	5.1%	3.5%	6.7%

WSI 2019-2021 Appropriation Request

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

WSI accommodated the increased workloads during the peak boom years by increasing the number of temporary employees. As of June 30, 2015, WSI had the equivalent of 32 temporary employees. As workloads decreased, this number has been reduced to less than 8 in FY 2018, a reduction of 75%.

Below is a table outlining WSI's recommended appropriation for the 2019-21 biennium. Column # 1 represents the base level funding appropriated in the 2017-19 biennium. WSI outlined the requested one-time funding requests and other adjustments to arrive at the level requested in the Governor's Recommendation in Column # 2. Column # 3 outlines the budget version that was passed out of the Senate.

Att
2/28/2019
SB 2021

Budget Recommendation 2019-2021 Engrossed SB 2021

Budget Overview	2017-2019	2019-2021	2019-2021
	Current Biennial Appropriation	Governor's Recommendation	Senate Version
FTE's	260.14	248.14	248.14
Temp Employees (full time equivalents)	7.7	6.9	6.9
Salary & Fringe	49,294,852	49,294,852	49,294,852
Reduce FTE's by 5% (-13) & misc savings		(4,082,595)	(4,082,595)
Reinstate funds for 7 FTE		1,248,467	1,181,004
Transfer FTE's to ITD		(2,632,159)	(2,632,159)
Salary & Fringe increase		2,983,049	2,427,431
Total Salary & Fringe	49,294,852	46,811,614	46,188,533
Operating Expense	14,178,210	14,178,210	14,178,210
Reduce Operating by 10%		(2,332,176)	(2,332,176)
Microsoft Office 365 licenses		14,988	14,988
Transfer IT FTE salary to Operating		2,824,915	2,762,200
Total Operating	14,178,210	14,685,937	14,623,222
Base Budget Total	63,473,062	61,497,551	60,811,755
One-Time items			
CAPS	8,120,097	7,010,000	7,010,000
Extranet	538,500	850,000	850,000
MS Reporting Project	275,000	-	-
Electronic Payment Processing	75,000	-	-
Total One Time Items	9,008,597	7,860,000	7,860,000
Total Budget	72,481,659	69,357,551	68,671,755
FTE	260.14	248.14	248.14

The chart below presents the status of the current biennium through January 31, 2019.

Biennial Appropriation 2017-2019	\$ 72,481,659	100%
FY 2018 Expenditures	(32,779,582)	-45%
FY 2019 (July - January) Expenditures	(18,241,364)	-25%
Total Biennium Expenditures through 01/31/2019	(51,020,946)	-70%
FY 2019 Estimated Budget Expenditures Remaining	(18,588,392)	-26%
2017-2019 Estimated Estimated Expenditures	(69,609,338)	-96%
Estimated Possible Savings for Biennium	\$ 2,872,321	4%

The Executive Budget Recommendation for WSI includes these changes to the budget request submitted by the agency:

- Restores 7.00 FTE positions and \$1.2 million from special funds.
- Restores 6.00 FTE positions with no additional funding.
- Transfers 12.00 FTE positions and 1.00 temporary position to ITD for IT unification.
- Employees will pay a set % of health insurance premium.
- Employer and employee will pay an additional 1% into the retirement plan.
- Compensation increases will be 4% the first year of the biennium and 2% the second year, with the possibility of 4% the second year if the agency can show 2% of savings in salary.

The Senate' version of WSI's budget varies from the Governor's budget recommendation in three areas:

- Compensation increases are 2% the first year of the biennium and 3% the second year.
- Employer will pay 100% of employee's health insurance premium.
- No additional % of funds will be paid into retirement, by either the employer or employee.

WSI is financially stable, provides excellent service, and is overall functioning very well. The Governor's recommended budget for 2019-21 would result in a total biennial base budget decrease of (3.11%) from the prior biennium. The Senate's version would result in a total biennial base budget decrease of (4.19%) from the prior biennium.

Exhibit 7 provides WSI's Technology Strategy and more specifics on these initiatives. We firmly believe the technology initiatives outlined above will only serve to make us better in the services that we provide.

In closing, WSI and the WSI Board of Directors support the funding level for the 2019-21 biennium as outlined in the Governor's recommendation. Thank you for your time today and your consideration of WSI's biennial appropriation request. At this time, we would be glad to answer any questions that you may have.

SENATE BILL NO. 2021
(Governor's Recommendation)

AH1

SB 2021

2/28/2019

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an act to provide an appropriation for defraying the expenses of workforce safety and insurance.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from the workforce safety and insurance fund in the state treasury, not otherwise appropriated, to workforce safety and insurance, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

Adjustments or

	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Workforce safety and insurance operations	\$63,473,062	\$5,884,489	\$69,357,551
Total special funds	\$63,473,062	\$5,884,489	\$69,357,551
Full-time equivalent positions	260.14	(12.00)	248.14

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fourth legislative assembly for the 2017-19 biennium and the 2019-21 one-time funding items included in the appropriation of section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
CAPS software replacement project	\$8,120,097	\$7,010,000
Extranet computer project	538,500	850,000
Internal reporting system updates	<u>275,000</u>	<u>0</u>
Total other fund	\$8,933,597	\$7,860,000

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The workforce safety and insurance agency shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

SECTION 3. APPROPRIATION - In addition to the amounts appropriated to workforce safety and insurance in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to workforce safety and insurance for the biennium beginning July 1, 2019, and ending June 30, 2021.

19.0234.02000

FIRST ENGROSSMENT

Att 1
SB 2021
2/28/2019

Sixty-sixth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2021

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of workforce safety and
2 insurance; and to provide for a report to the legislative assembly.

3 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

4 SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds
5 as may be necessary, are appropriated from special funds derived from the workforce safety
6 and insurance fund in the state treasury, not otherwise appropriated, to workforce safety and
7 insurance, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

		Adjustments or	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
10 Workforce safety and insurance	<u>\$63,473,062</u>	<u>\$5,198,693</u>	<u>\$68,671,755</u>
11 operations			
12 Total special funds	\$63,473,062	\$5,198,693	\$68,671,755
13 Full-time equivalent positions	260.14	(12.00)	248.14

14 SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO
15 SIXTY-SEVENTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time
16 funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium and the
17 one-time funding items included in the appropriation in section 1 of this Act:

	<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
19	Claims and policy system replacement project	\$8,120,097	\$7,010,000
20	MyWSI extranet enhancement project	538,500	850,000
21	Internal reporting system	275,000	0
22	Electronic payment processing system	<u>75,000</u>	<u>0</u>
23	Total other funds	\$9,008,597	\$7,860,000

1 The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget
2 for the 2021-23 biennium. Workforce safety and insurance shall report to the appropriations
3 committees of the sixty-seventh legislative assembly on the use of this one-time funding for the
4 biennium beginning July 1, 2019, and ending June 30, 2021.

Att 1 SB 2021 2/28/2019

WSI

North Dakota Workforce
Safety & Insurance

Strategic Partnerships

WSI Workplace Excellence

Safety Stewardship

Customer Service Excellence

Operational Excellence

WSI's Journey Continues . . .

2019 North Dakota Workforce Safety & In

Core Purpose:
To care for Injured Workers

Business Definition:
We provide workers' compensation and safety services

Core Values

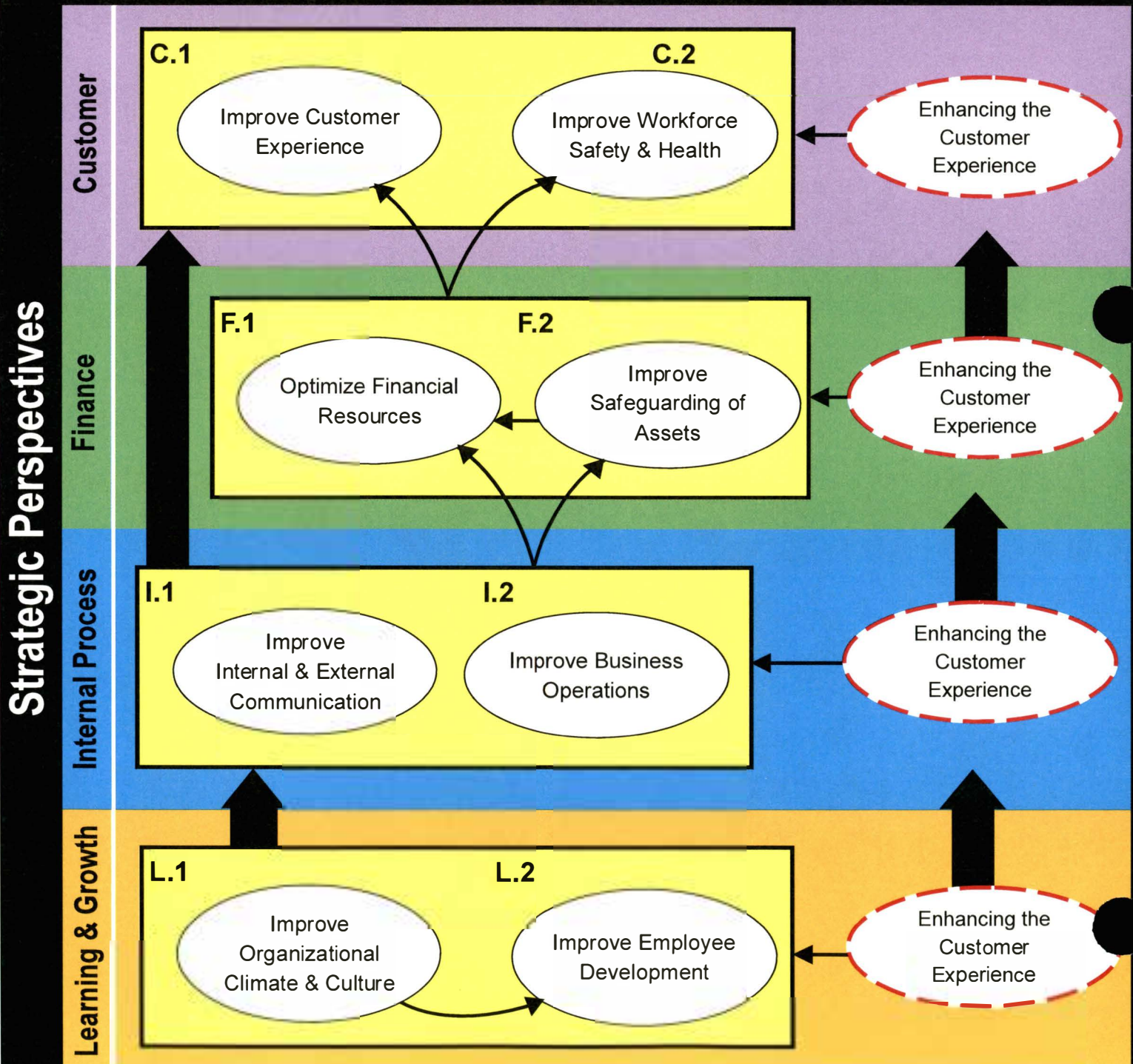
Att 1 SB2021 2/28/2019

Strategic

Exceptional

Exceptional People

Organizational Strategy Map:



Insurance - Strategic Management System

Vision:

A safe, secure, and healthy North Dakota Workforce.

ATT 1
SB 2021
7/28/2019



Loyal

Caring

Forthright

Core Values

Revised: January 4, 2019

Anchors:

■ Initiative Completed

■ Initiative in Progress

■ Initiative not Started

Service

Financial Stability

Performance Measures:

Strategic Initiatives:

Thematic Goal Initiatives:

C.1 Improve Customer Experience

- PM.1 Injured Worker Satisfaction Rate
- PM.2 Employer Satisfaction Rate
- PM.3 Voc Rehab Satisfaction Rate

C.2 Improve Workforce Safety & Health

- PM.1 Indemnity Claims per 100 Covered Workers
- PM.2 Total Claims per 100 Covered Workers

1. Extranet Portal
2. Texting/Instant Communication System
3. Total Worker Health Initiative
4. iHCFA—Electronic Submission
5. Enhancing the Customer Experience

(A) Injured Workers

- Review call back policy/responding in kind
- Readability of legal notices
- Early identification and intervention
- Neutral wording
- Clarification of Medical Necessity
- Subsidiary approved treatment meeting
- Revamping CVSP model for earlier intervention
- Revamp Remits to providers
- Review and possibly centralize IME/IMR process
- Risk Tolerant Health Initiative

(B) Employers

- Total Worker Health Initiative
- Availability of forms, letters and notices
- Clarification of the role of the Constituent Liaison
- Transition Planning
- Introduction of 5 points of contact between 3rd and 4th notices
- Clarifying the role of the Business Contractor
- Introduction of the new LMS platform
- Subsidiary approved treatment meeting

(C) Internal Customers

Survey Employees: How can Administrative Service Functions Improve Service to WSI Employees?

- Identify Admin Support functions and survey audience
- Develop a standardized survey instrument (modify for the different departments)
- Issue Surveys
- Compile Results
- Analysis Results
- Identify, prioritize, and implement improvement opportunities

Optimize Financial Resources

- PM.1 Fiscal Year Combined Ratio
- PM.2 Investment Returns
- PM.3 Available Surplus Ratio
- PM.4 Annual Rate Change

F.2 Improve Safeguarding of Assets

- PM.1 Available Surplus Ratio
- PM.2 Investment Returns

1. Cyber Security (policy setup, e-mail security)
2. Enterprise Risk Management (ERM)

I.1 Improve Internal/External Communication

- PM.1 Employee Comm. Satisfaction Survey Rate
- Communication Satisfaction Sections:
- PM.2 Injured Worker Satisfaction Rate
- PM.3 Employer Satisfaction Rate
- PM.4 Provider Satisfaction Rate

I.2 Improve Business Operations

Operational Measures

1. Communication Audit Implementation
2. System Replacement Program (CAPS)
3. Outward Facing Forms (InfoPath)
4. Medical Run Automation
5. Data Warehouse
6. Transactional Reporting Software (Oracle Reports replacement)
7. Business Analytics Tool Development (Microsoft)

L.1 Improve Employee Development

- PM.1 Employee Satisfaction Rate

L.2 Improve Organizational Climate & Culture

- PM.1 Employee Satisfaction Rate
- PM.2 Employee Turnover Rate

1. Enhance WSI Strategic Direction



The WSI Way

Vision, Purpose, Business Definition, Values

WSI's vision is a safe, secure, and healthy workforce. Our core purpose is to serve injured workers. WSI does this by providing workers' compensation and safety services. Our core values are loyal, caring, and forthright. We accomplish this with exceptional people, exceptional service, and financial stability.

Strategic Perspectives

Our 4 major focus areas referred to as strategic perspectives are:

- Customer – Improve customer experience and workforce safety and health.
- Finance – Ensure resources are secure and utilized efficiently.
- Internal Process – Improve communications and business operations.
- Learning & Growth – Improve the agency culture, climate, and employee development

Each perspective is measured by performance measures, which are stated behind each perspective.

Thematic Goal

As part of WSI's philosophy to care for the injured worker, we focus on a thematic goal. The thematic goal answers the question, what is the most important thing that WSI must focus on for the next 6 to 9 months? Since adopting this approach, WSI has worked on the following thematic goals (frequently referred to as "Operations" to emphasize importance).

- Operation Workload Relief
- Operation Equip and Enable
- Operation Injured Worker Outreach
- Legislative Policy and Biennial Budget
- Safety and Health Defining the Future
- Operation Workplace Security
- Enhancing the Customer Experience

Each of the thematic goals has a set of defining objectives, which are listed on the right-hand side of the strategy map (reverse side of this document). Each defining objective has a set of actions, called initiatives, to accomplish the objective.

All of these components provide the compass for WSI, guiding how we deliver workers' compensation services. They ensure we not only focus on the day-to-day activities but the future in a clear, memorable way.



North Dakota Workforce
Safety & Insurance

Strategic Direction Highlights

Good Benefits, Good Payor, Low Premiums

Exceptional Employees and Positive Work Environment

- Top 10 places to work in Bismarck/Mandan (Bismarck-Mandan Young Professionals Network)
- One of three entities to receive the United Way Live United Award (Other recipients were Scheels and First International Bank & Trust)

Good Benefits

- Benefits set by statute
- Benefits compare quite favorably to other jurisdictions

Low Premiums

- Lowest premiums in the country

Good Payor

- Fair payment for medical and hospital services
- Ensures access to quality healthcare

Financially Stable

- Investment returns averaged 6.4% over the past five years
- Favorable investment returns contributed to additional surplus growth
- Exceeding statutory surplus requirements requires dividends
- Total dividends issued in 13 out of the last 14 years have amounted to nearly \$1.27 billion





North Dakota Workforce
Safety & Insurance

Strategic Direction Highlights

Good Benefits, Good Payor, Low Premiums – How?

Safety Focus

- Premium discounts to employers who utilize WSI Safety Programs
- Safety grants available to employers and industry associations

Administratively Efficient

- WSI’s administrative expense ratio is 15.7%. Industry expense ratios average approximately 25%

Few Disputes and Low Litigation

- Only 0.71% of decisions issued proceed to an administrative court hearing

Medical Cost Containment

- Medical and hospital fee schedules
- Utilization review
- Medical bill review
- Evidence-based treatment guidelines
- Triage of complex claims
- Pharmacy Formulary

Return-to-Work programs

- Time-loss claims account for approximately 12.1% of total claims in North Dakota compared to 20% in other jurisdictions

Good Service and Overall Customer Satisfaction

- Independently conducted injured worker and employer satisfaction surveys consistently rank in the “high” satisfaction category

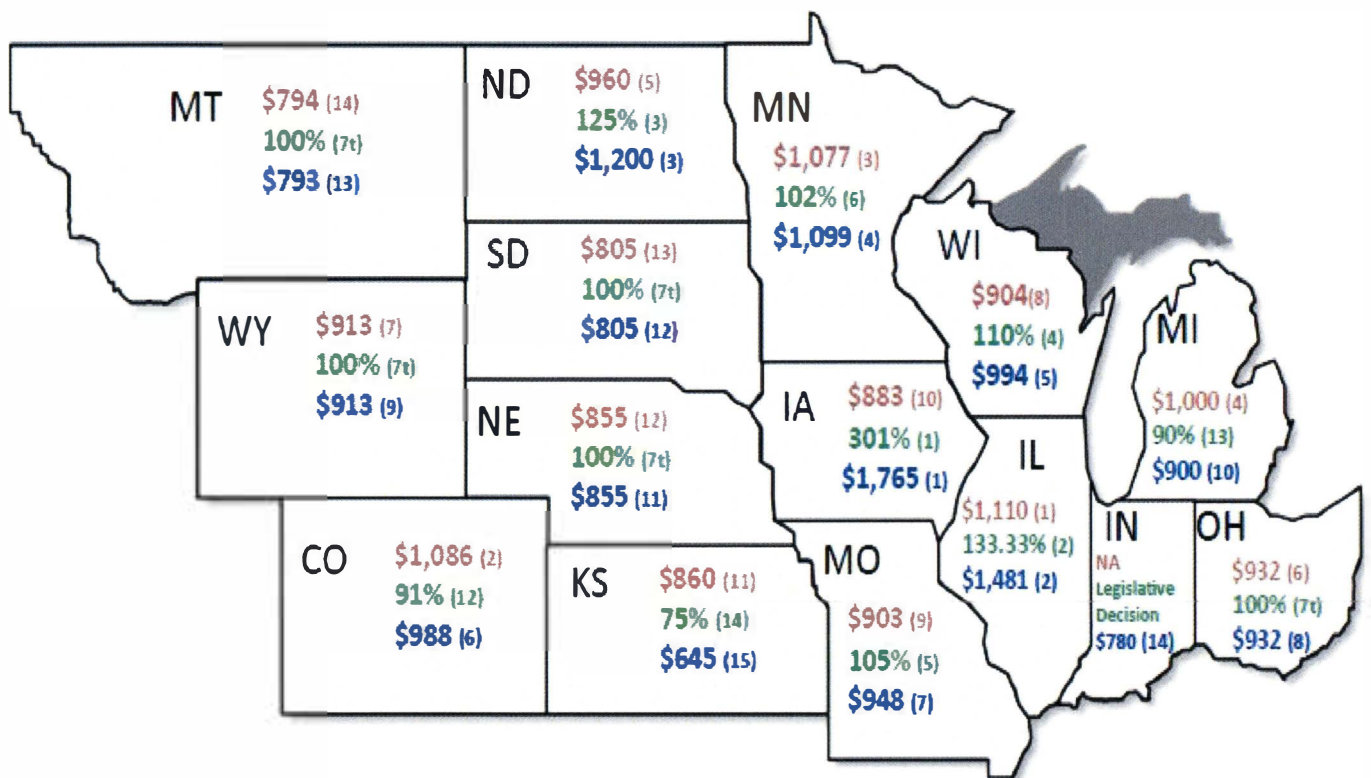




North Dakota Workforce
Safety & Insurance

Benefit Comparison

Midwest States: State's Average Weekly Wage, Maximum Benefit Rates and Maximum Weekly Benefit Amounts - 2018



SAWW (WY uses State's Avg Monthly Wage - calculated quarterly - 4th qtr 2018 shown))

Max. Weekly Benefit Rate

Max. Weekly Benefit Amount

~ Information in parenthesis = State Rank (#1 - highest to #15 - lowest)

~ Information Source: State Workers' Compensation Websites

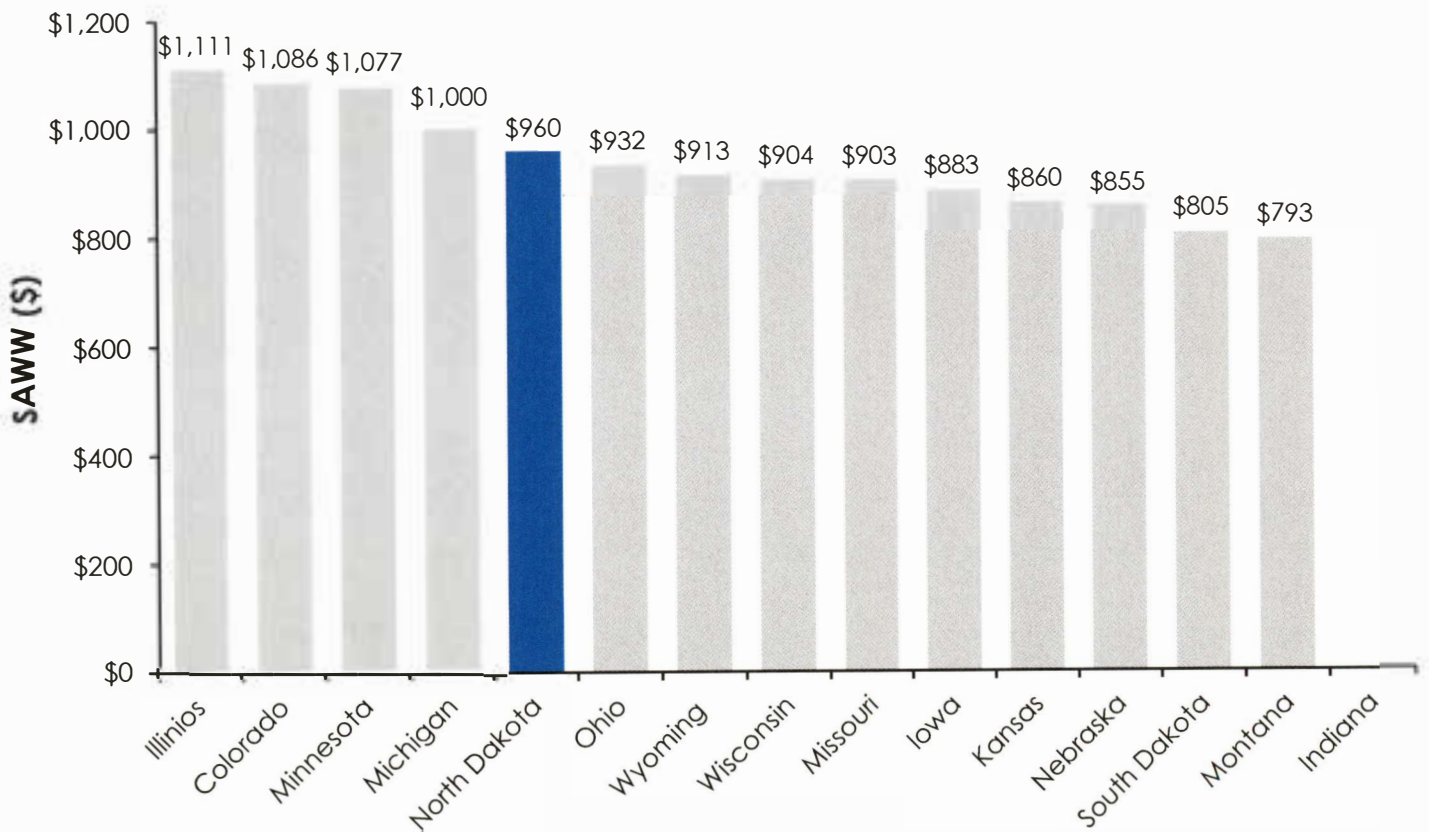




North Dakota Workforce Safety & Insurance

Benefit Comparison Average Weekly Wage

State's Average Weekly Wage by State (2018)



Highest Lowest

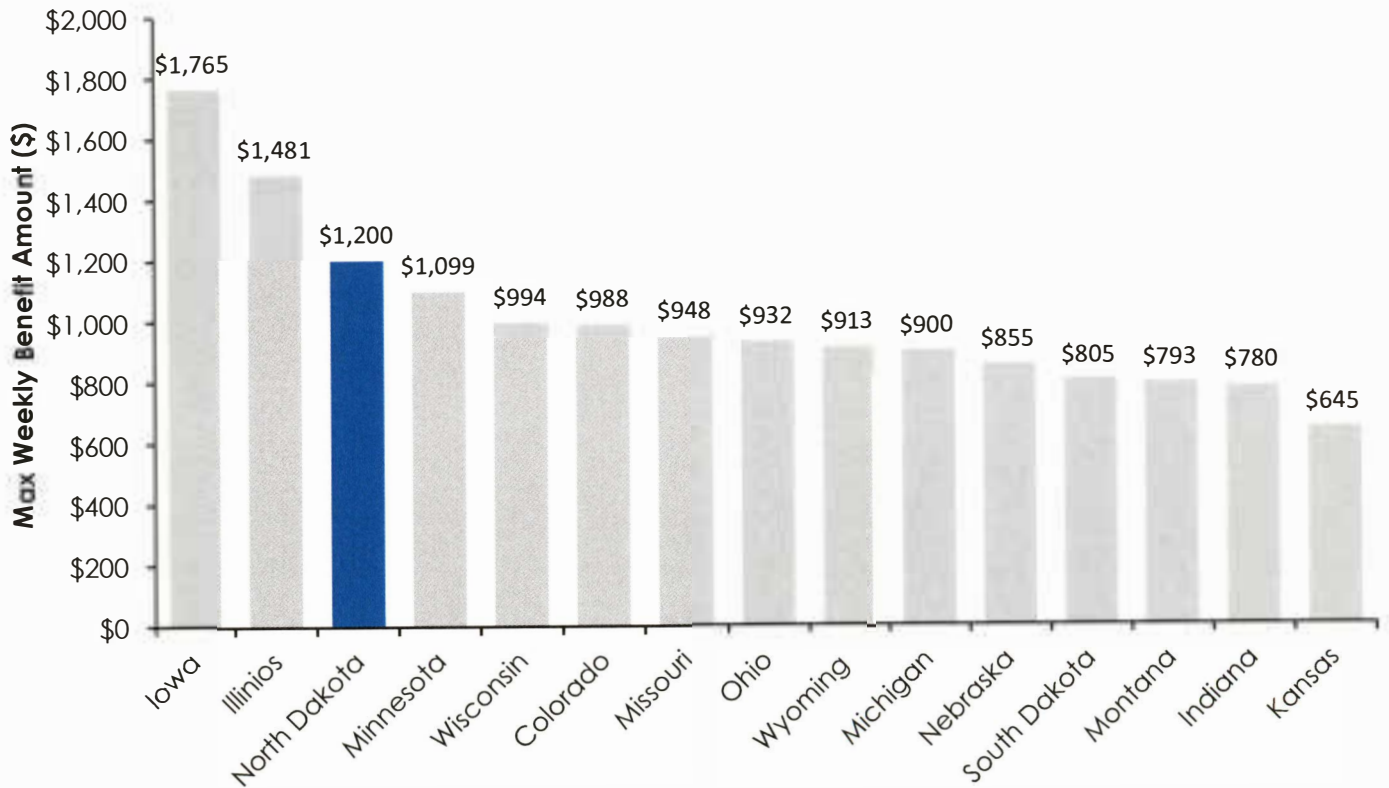




North Dakota Workforce Safety & Insurance

Benefit Comparison Weekly Benefit Amount

Maximum Weekly Benefit Amount by State (2018)



Highest Lowest





North Dakota Workforce
Safety & Insurance

Premium Index Comparison

Per 2018 Oregon Study:

Neighbor state's rates
compared to North Dakota
(before any dividends)



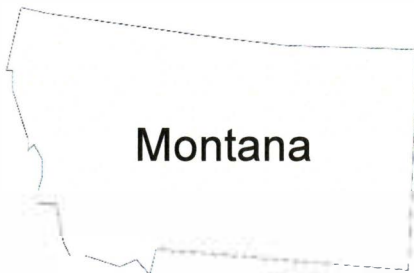
South
Dakota

2.1x
Higher



Minnesota

2.0x
Higher



Montana

2.5x
Higher

Monopolistic States:

State's rates compared to
North Dakota
(before any dividends)



Wyoming

2.3x
Higher



Washington

2.3x
Higher



Ohio

1.7x
Higher





North Dakota Workforce
Safety & Insurance

Historical Workers Compensation Benefit & Service Enhancement Legislation

2017 Legislation

Provides for payment of an injured worker's attorney fees and costs at the level in which they prevailed regardless of whether the organization ultimately prevails (SB 2048)
Establishes a civil penalty in the amount of \$5,000 for an employer who willfully makes a false statement attempting to preclude an injured worker from securing benefits (SB 2094)

2015 Legislation

Expanded eligibility for the scholarship fund to include children up through age twenty-six (HB 1102)
Expanded the eligibility of children that can utilize the educational revolving loan fund (HB 1102)

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)





North Dakota Workforce
Safety & Insurance

Historical Workers Compensation Benefit & Service Enhancement Legislation

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 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)





North Dakota Workforce
Safety & Insurance

Historical Workers Compensation Benefit & Service Enhancement Legislation

2009 Legislation – Continued

- 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 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 purchase or adaptation of motor vehicles for 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)





North Dakota Workforce
Safety & Insurance

Historical Workers Compensation Benefit & Service Enhancement Legislation

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)





North Dakota Workforce
Safety & Insurance

2018 Facts & Figures

State Population:	755,000
Covered Workforce:	405,367
Employer Accounts (FY 2018):	24,148
Claims Filed (FY 2018):	19,868
WSI Staff:	260 FTE
Net Earned Premium:	\$235.6M
WSI Assets:	\$1.98B
WSI Net Position (Fund Surplus):	\$681.1M

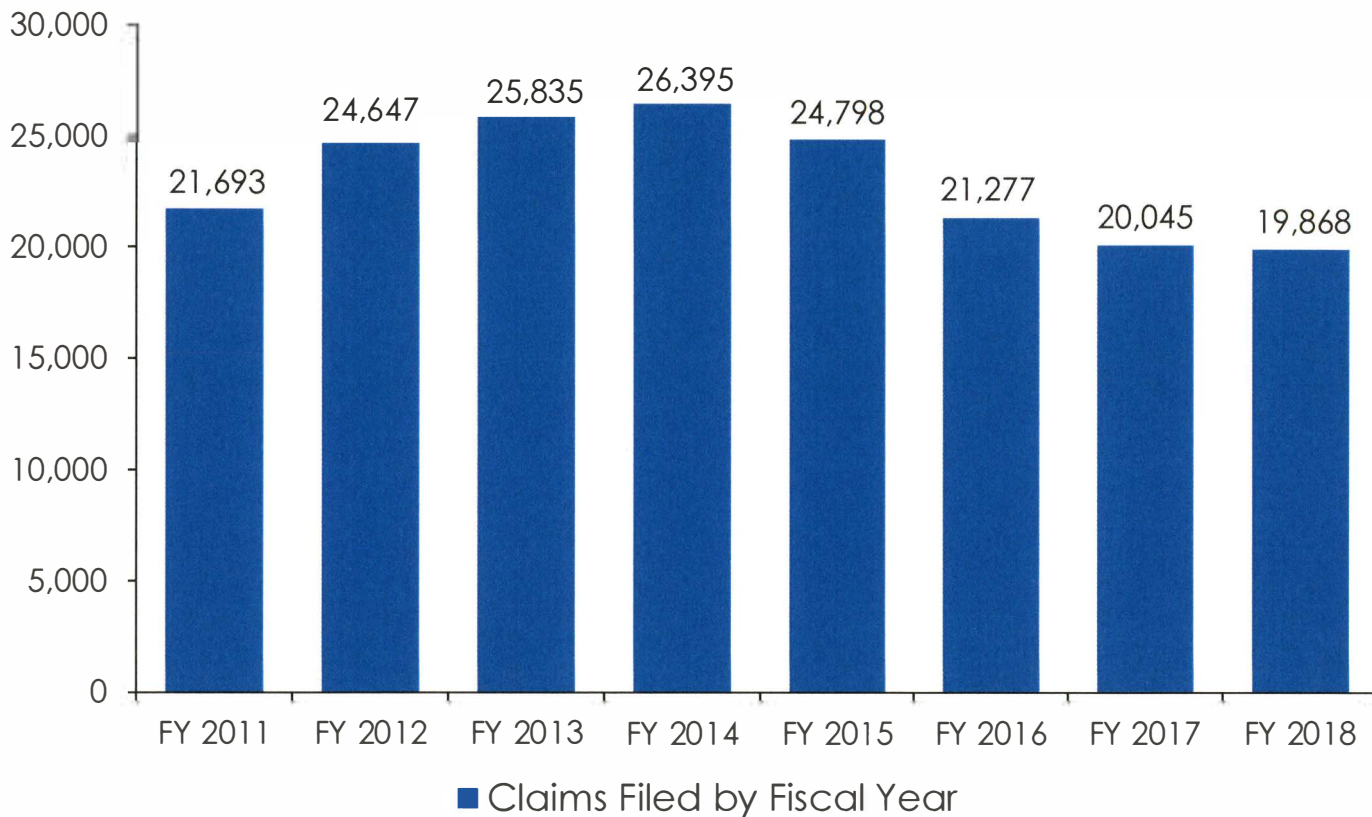




North Dakota Workforce Safety & Insurance

Key Trends: Claims Filed

Claims Filed by Fiscal Year

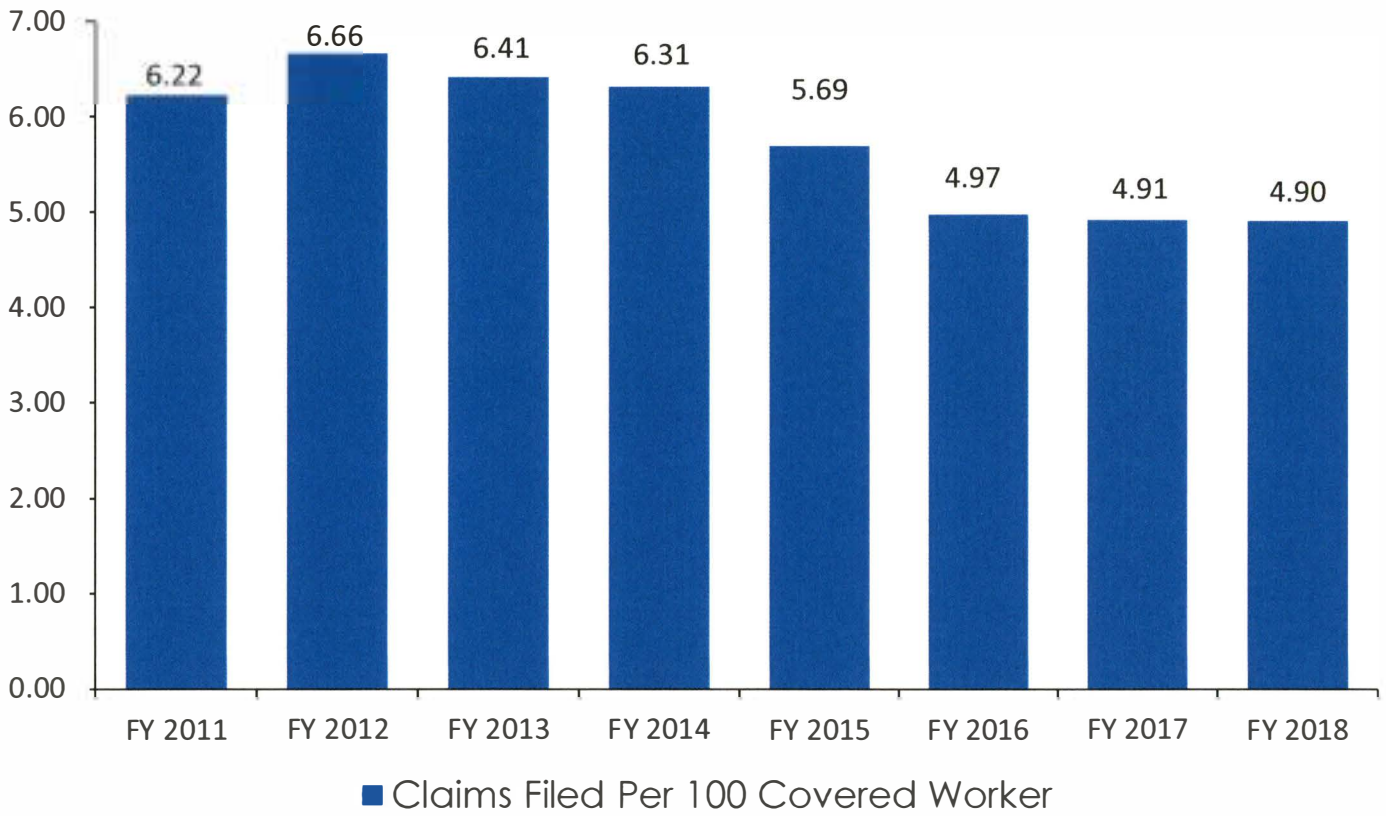




North Dakota Workforce
Safety & Insurance

Key Trends: Injury Rates

Claims Filed Per 100 Covered Workers

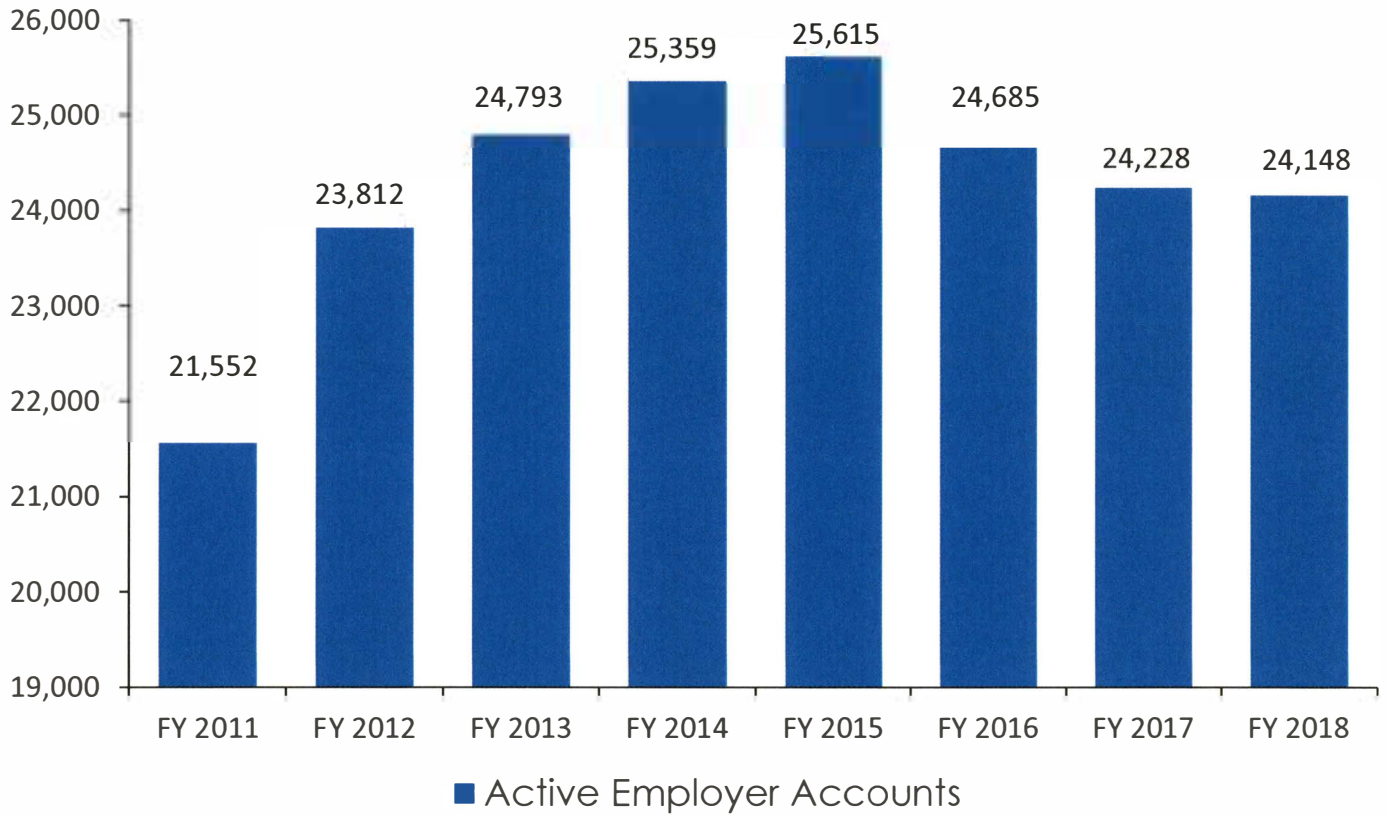




North Dakota Workforce Safety & Insurance

Key Trends: Active Accounts

Active Employer Accounts

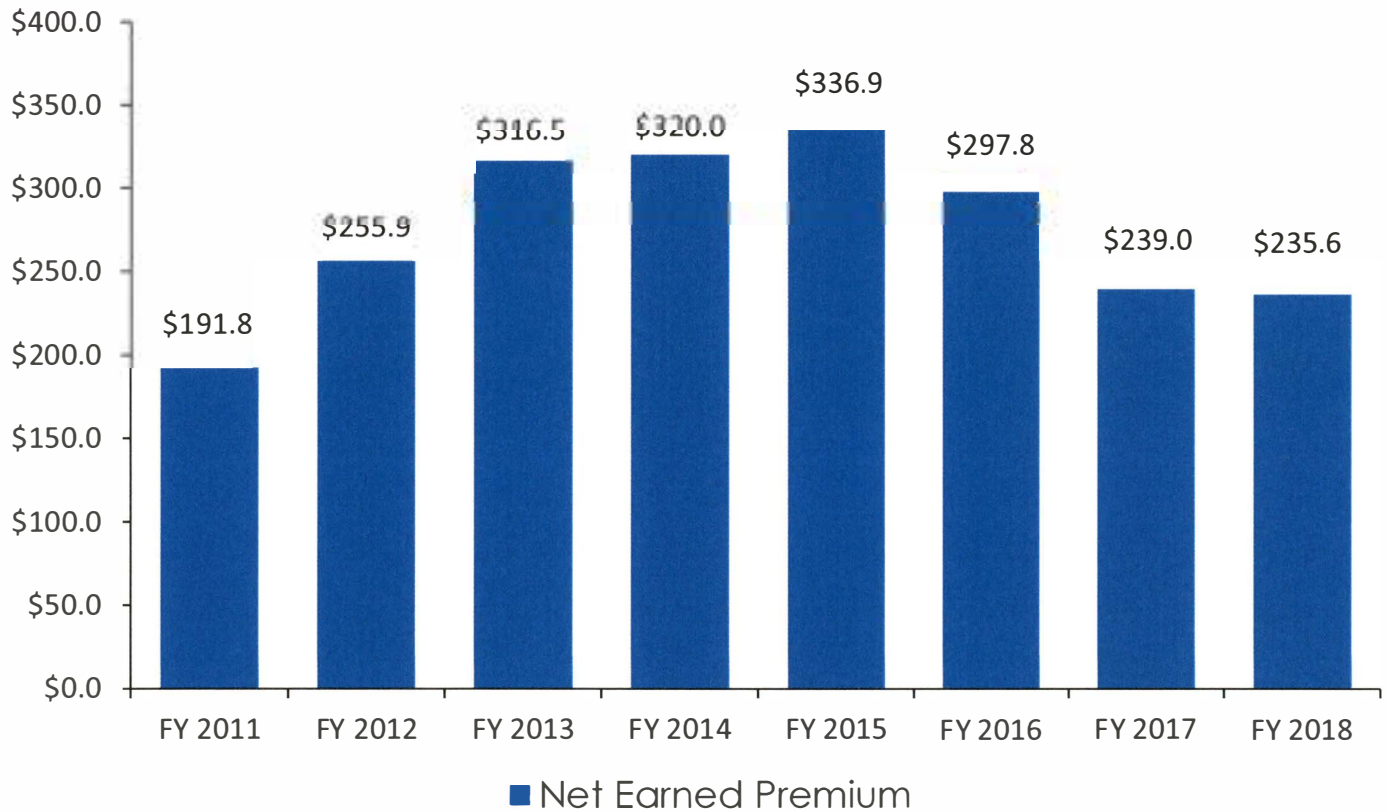




North Dakota Workforce
Safety & Insurance

Key Trends: Net Earned Premium

Net Earned Premium (\$ Millions)

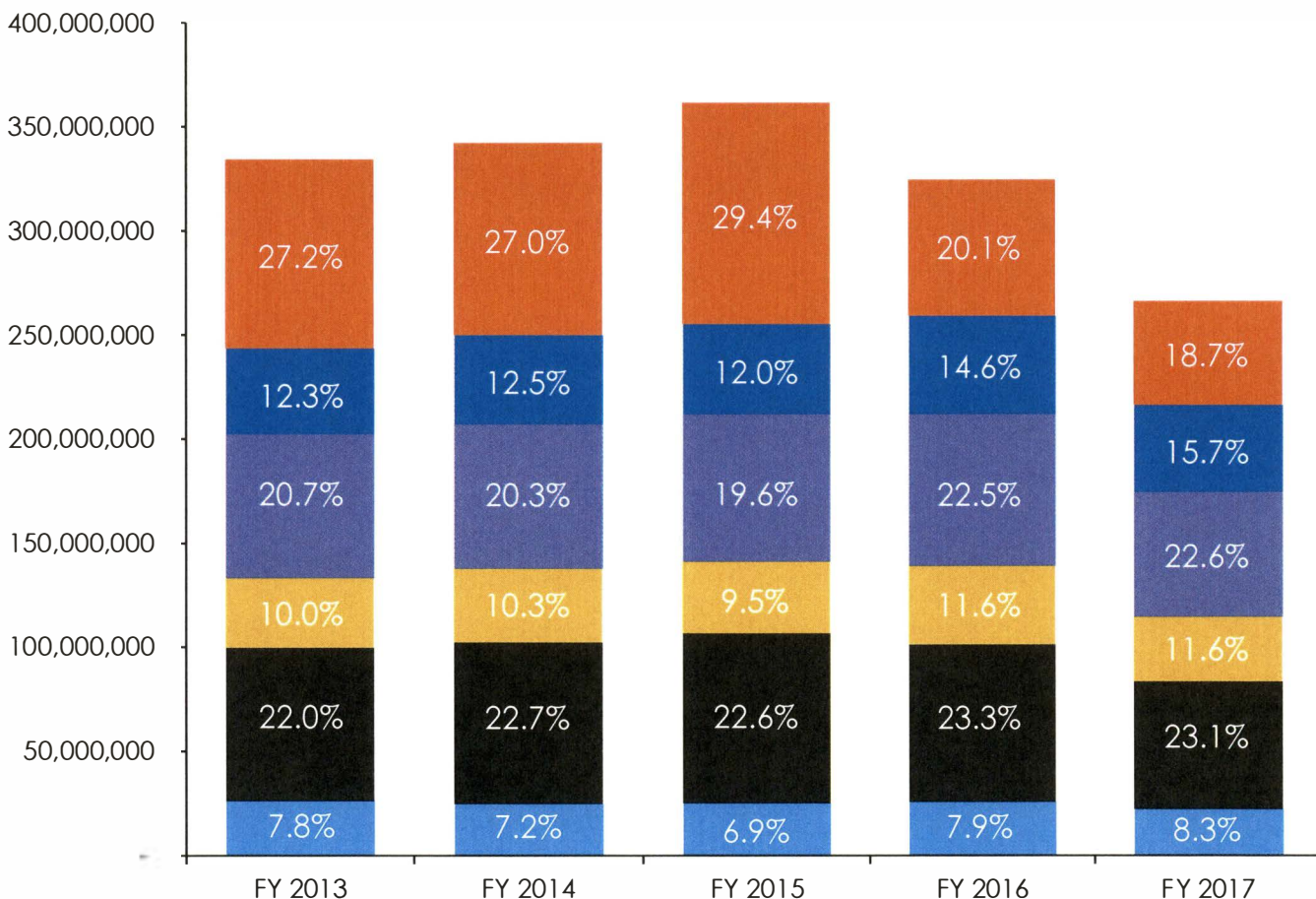




North Dakota Workforce
Safety & Insurance

Key Trends: Premium by Industry Type

Percent of Earned Premium by Industry Type



- Oil
- Office/Clerical
- Miscellaneous
- Contracting
- Goods & Services
- Manufacturing





North Dakota Workforce
Safety & Insurance

Strategic Direction Challenges

Challenges

- Conforming the administration of an employer funded insurance company to the fluctuations in general fund revenue
- Obsolete IT System and Tools (under replacement)
 - CMS
 - PICS
- Lack of IT resource availability (vendor reliant)
- Potential loss of institutional knowledge due to workforce attrition
- Rewards & Recognition





North Dakota Workforce
Safety & Insurance

Key Trends: Staffing History

Staffing History

- During the oil boom, WSI in large part increased staff with temporary employees
- Post-oil boom, WSI mainly reduced staff through temporary employees
- Since 2015, the number of full-time equivalent temporary positions has been reduced from 31.7 to 7.7, a reduction of 24 or 76%
- Since 2015, the total number of employees (FTEs & temps) has been reduced from 281.7 to 267.7, a reduction of 14 or 5%

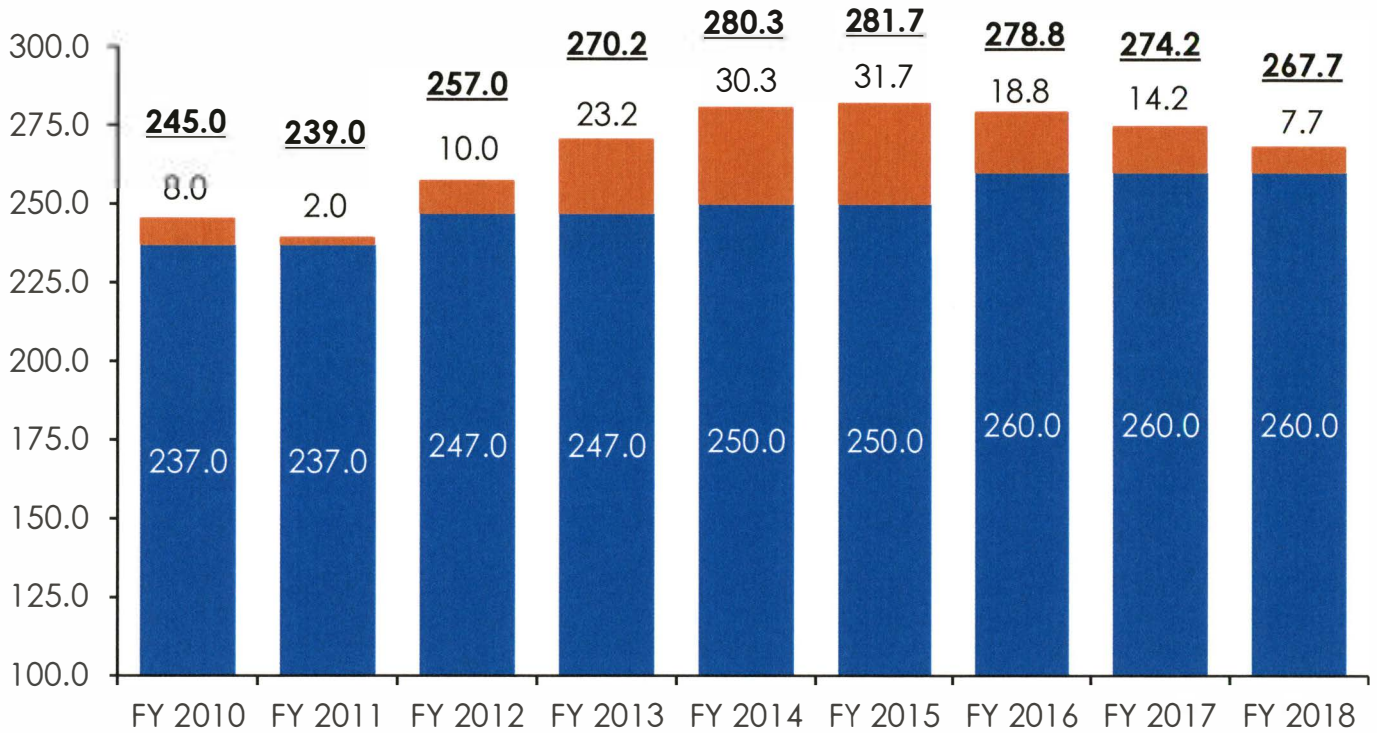




North Dakota Workforce
Safety & Insurance

Key Trends: Employee Count

Employee Count by Fiscal Year



Temp FTE Total



GOVERNOR

DIRECTOR

HUMAN RESOURCE DIRECTOR

TEMP CONSTITUENT LIAISON

DIRECTOR DECISION REVIEW OFFICE

EXECUTIVE SECRETARY

INTERNAL AUDIT DIRECTOR

CHIEF OPERATING OFFICER

COMMUNICATIONS DIRECTOR

CHIEF OF INJURY SERVICES

FACILITIES MANAGER

IT DIRECTOR

CHIEF OF EMPLOYER SERVICES

QUALITY ASSURANCE DIRECTOR

DIRECTOR OF FINANCE

GENERAL COUNSEL

TEMP EXECUTIVE SUPPORT

P.34

WSI

North Dakota Workforce Safety & Insurance

Organization/Leadership

Executive Team

2/28/2019
SB 2021
ATT 1



North Dakota Workforce
Safety & Insurance

Strategic Direction Technology

Technology Strategy

Claims and Policy System (CAPS). The CAPS program replaces core business systems supporting 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. This will enable WSI to remain current with technology and take advantage of technology enhancements as they occur while conforming to standard industry best practices. A multi-phase evolutionary approach is being used.

The CAPS program consists of five phases. WSI completed Phase 1, a comprehensive planning and analysis phase in June 2015 and launched this large, multi-year program in July 2015. Phases 2 through 4 are each made up of multiple releases, each release delivering functionality in a production environment every six to nine months. In total there are 20 releases with final completion projected for fall 2025 at an estimated cost of just under \$30,000,000. Phase 5 covers full program implementation / transition and program closeout and is projected to be completed by first quarter 2026.

WSI is currently working on Phase 3, which addresses Policy (PICS) application refacing, and is made up of six releases. Release 4 – Policy Registration and Release 5 – Policy Maintenance Part 1 were each completed on or close to schedule and under budget. Release 6 – Policy Maintenance Part 2 is scheduled to be completed by May 2019 and is progressing on schedule and within budget.





North Dakota Workforce
Safety & Insurance

Strategic Direction Technology

Technology Strategy

Phase 3, which addresses policy functionality, consists of six releases and is projected to be completed by third quarter 2020. Phase 4, which addresses claims functionality, consists of eleven releases and is projected to be completed third quarter 2025.

WSI Claims and Policy System (CAPS) Program

Phase	Number of Releases	Completion Date
1-Planning and Analysis		Completed June 2015
2-SharedComponents Refacing	3	Completed February 2017
3 – PICS Application Refacing	6	September 2020
4 - CMS Application Refacing	11	September 2025
5 – Program Finalization		January 2026

Extranet Project and Extranet Enhancement Project The Workforce Safety and Insurance (WSI) Extranet Project will create a secure self-service portal for authenticated external stakeholders (i.e., employers, providers, and injured workers) to view, update, and submit information related to interactions with WSI.

WSI conducted a communications audit in 2011 that recommended three initiatives to improve clarity, governance, and service to injured workers. The initiatives included a re-designed internal intranet, a re-designed public internet web site, and a secure extranet portal for injured workers, employers and medical providers.



WSINorth Dakota Workforce
Safety & Insurance

Strategic Direction Technology

Technology Strategy continued

The intranet (2011) and external web site (2015) projects have been completed successfully. The extranet project (2017) enabled WSI's customers to securely access needed information via the Internet through an extranet portal and included a re-designed ND login process. The extranet project was completed successfully. The extranet was branded with the name myWSI.

WSI continued to deliver new features to myWSI with the myWSI Enhancement Project (2019). The myWSI enhancement project consists of two releases. Release 1, which included common services, provider bill status, UR-C/UR Chiro enhancements and medical records submission was completed successfully in April 2018. Release 2, which includes integration with CAPS, employer payment/file retrieval functionality, FileNet integration, forms retrieval, reporting integration and Notification management is scheduled for completion June 2019.

WSI plans to continue efforts to enhance myWSI with Release 3 and Release 4 (2019-2021), enhancing and adding additional functionality for key stakeholders; injured workers, employers, medical providers and internal WSI staff.





North Dakota Workforce
Safety & Insurance

Our Vision

- Continue to leverage technology to create efficiencies and improve service
- Continued reductions in statewide injury rates
- Expand the use of internal dashboards
- Enhance and improve employee development
- Maximize automation to the extent possible of the compensation and medical payment and remit processes, as well as premium payments
- Increase use of online tools to eliminate manual entry and processes

Online Services

As of 09/30/2018

Online Claims as a Percent of Total Claims Filed - % of claims filed that were received online	72%
Percent of Medical Bills Received Electronically - % of bills submitted that were received through EDI & iHCFA	42%
Employer Payroll Reports Received Electronically - % of payroll renewal reports that were received online	88%
Employer Applications Received Electronically - % of employer applications for insurance that were received online	71%



Celebrating 100 Years of Providing a Safe, Secure and Healthy North Dakota Workforce.

WSI
North Dakota Workforce Safety & Insurance

100th

ANNIVERSARY



1919 - 2019

Att 2 SB 2021

2/28/2019

Workforce Safety and Insurance - Budget No. 485
Senate Bill No. 2021
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget Increase (Decrease) - Executive Budget			
	FTE Position	General Fund	Other Funds	Total	FTE Position	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2019-21 Biennium Base Level	260.14	\$0	\$63,473,062	\$63,473,062	260.14	\$0	\$63,473,062	\$63,473,062	0.00	\$0	\$0	\$0
2019-21 Ongoing Funding Changes												
Base payroll changes			(\$1,821,876)	(\$1,821,876)			(\$1,821,876)	(\$1,821,876)				\$0
Salary increase			1,831,146	1,831,146			1,282,527	1,282,527			(\$548,619)	(\$548,619)
Health insurance increase			912,491	912,491			1,077,441	1,077,441			164,950	164,950
Retirement contribution increase			239,412	239,412				0			(239,412)	(239,412)
Underfund 6 FTE positions			(1,012,252)	(1,012,252)			(1,012,252)	(1,012,252)				0
Transfer 12 FTE positions to ITD for IT unification	(12.00)		(2,532,319)	(2,532,319)	(12.00)		(2,532,319)	(2,532,319)				0
Transfer 1 temporary position to ITD for IT unification			(99,840)	(99,840)			(99,840)	(99,840)				0
Add funding for IT operating expenses			2,824,915	2,824,915			2,762,200	2,762,200			(62,715)	(62,715)
Reduce funding for other operating expenses			(2,332,176)	(2,332,176)			(2,332,176)	(2,332,176)				0
Add funding for Microsoft Office 365 licensing expenses			14,988	14,988			14,988	14,988				0
Total ongoing funding changes	(12.00)	\$0	(\$1,975,511)	(\$1,975,511)	(12.00)	\$0	(\$2,661,307)	(\$2,661,307)	0.00	\$0	(\$685,796)	(\$685,796)
One-time funding items												
Add funding for the CAPS replacement project			\$7,010,000	\$7,010,000			\$7,010,000	\$7,010,000			\$0	\$0
Add funding for the MyWSI enhancement project			850,000	850,000			850,000	850,000			0	0
Total one-time funding changes	0.00	\$0	\$7,860,000	\$7,860,000	0.00	\$0	\$7,860,000	\$7,860,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(12.00)	\$0	\$5,884,489	\$5,884,489	(12.00)	\$0	\$5,198,693	\$5,198,693	0.00	\$0	(\$685,796)	(\$685,796)
2019-21 Total Funding	248.14	\$0	\$69,357,551	\$69,357,551	248.14	\$0	\$68,671,755	\$68,671,755	0.00	\$0	(\$685,796)	(\$685,796)

Other Sections for Workforce Safety and Insurance - Budget No. 485

Other funds appropriation

Executive Budget Recommendation
 Section 3 would appropriate all federal and other funds received by Workforce Safety and Insurance in excess of those funds appropriated in Section 1 for the 2019-21 biennium.

Senate Version

P1