

<b>Centralize Workers' Compensation Cost Containment</b>		<b>Agency/Program #:</b> 6101-21-I1
		<b>Division:</b> Health Care & Benefits
		<b>Program:</b> Workers' Comp. Centralizatio
<b>Agency Name:</b>	Department of Administration	
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<b>LFC Contact:</b>	Rep. Sesso and Rep. Taylor	
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**Program or Project Description:**

Workers' Compensation Management Program - This program was a new initiative from the 2009 Biennium Governor's Budget. The purpose of the program is to reduce workers' compensation costs and injuries in state government.

Appropriation, Expenditure and Source					
Fund Name:	2008		2009		Approp & Expenditure numbers are as of April 15, 2008
	Approp.	Expended	Approp.	Expended	
General Fund					
State Special					
Federal Funds					
<b>Total:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

**Goal(s):**

Implement a centralized state workers' compensation cost containment program

**Performance Measures :**

1. Reduce the incidence of occupational injury and illness among state employees (note 1);
  2. Reduce the incidence of workers' compensation wage-loss claims for state government (note 1);
  3. Reduce workers' compensation premiums for state agencies;
  4. Enhance productivity within agencies by reducing the amount of time workers are separated from their jobs due to occupational injury or illness (note 1);
  5. Improve the safety of the physical work environment in compliance with the Montana Safety Culture Act;
  6. Provide a central data and financial management repository for workers' compensation information within state government;
  7. Function as the central point for negotiation and management of workers' compensation coverage through the insurance carrier, Montana State Fund; and
  8. Reduce the number of work-time loss injury claims among employees by 50 percent during the 2009 biennium.
- Implement a workers' compensation management program for State government (note 1 – these goals will show not accomplishments until after the 2009 biennium)

THESE PERFORMANCE MEASURES ARE THOSE PRESENTED IN THE EXECUTIVE BUDGET REQUEST, REVIEWED AND AUGMENTED BY THE LEGISLATURE, AND APPROVED WITH THE APPROPRIATION FOR THE INITIATIVE.

2009 Biennium Significant Milestones:	Completion Dates	
	Target	Actual
1 Sign agreements with Montana State Fund authorizing the Department of Administration to act on behalf of policyholders.	Late Oct 2007	Jun-07
2 Hire 3.0 FTE authorized by the Legislature for the workers' compensation management program.	Oct-07	Sep-07
3 List/document efficiencies and cost savings from workers' compensation program is ongoing. To date, there is a 9:1 ratio of cost savings to program costs.	Dec-08	ongoing
4 Implement an Early Return to Work (ERTW) program for state agencies.	Dec-08	Oct-07
5 Implement a safety program for employees (including improving areas of physical work environment).	Dec-08	Sep-07

Establish a central data and financial management information repository for state government. About 20% of the design and population of the data warehouse is complete as of April 2008	Jun-08	
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**Performance Report:**

- a. Authorization to Act agreements were signed by state agencies, DOA and Montana State Fund (MSF). MSF as a state agency policyholder will not be signing the agreement.
- b. DOA completed hiring the Workers' Compensation Bureau Chief, Safety Officer and ERTW Officer as of September 2007.
- c. Efficiencies and cost savings include: (1) Policy year 2008 rates resulted in a 4.2% premium increase compared to a five-year historical average increase of 21.5%, resulting in savings of \$800,000 in general fund and \$1.9M in overall state government premium; (2) Changed agency premium payment cycle from monthly to quarterly generating approximately \$50,000 per quarter interest income to the general fund; (3) Changed 25 of 38 policies to contain only basic excess employer liability coverage saving approximately \$200,000 per year (\$100,000 in general fund); (4) Revised policies and timing of payment so all policy holders receive Volume Discount and ERTW funds quarterly, generating \$500,000-600,000 per quarter (\$200,000 in general fund); (5) In FY07 and FY08 negotiated retention refunds of \$880,000 and \$1.6M, respectively. During FY08, reverted \$400,000 in retention return funds to the general fund.
- d. The ERTW program was developed and DOA is implementing the program for all agencies. For the first time in state government, injured employees are temporarily being reassigned to other agencies if necessary to get the employee back to productive employment. In addition, DOA has completed an analysis of agency needs and safety efforts ensuring compliance with the Montana Safety Culture Act. Implementation of statewide safety programs is underway.
- e. Development is underway for a data warehouse for rating, financial, safety and ERTW information management. Approximately 20% of the design and population of the data warehouse is complete.

**LFD Narrative:**

LFD ASSESSMENT - On-Track and Warning

DATA RELEVANCE - The data received is relevant to some of the outcome measures.

APPROPRIATION STATUS - No appropriation/expenditure data was provided.

OPTIONS - The workgroup could review the data at the October meeting. It could also request that the appropriation and expenditure data be provided.

This initiative received both an on-track and warning assessment. The on-track designation is due to progress toward the overall goal of centralizing workers' compensation activities for Montana state government and the program has also demonstrated savings with about a year into implementation. The warning designation is due to lack of data to measure several of the performance measures.

Department of Administration staff indicated that data for some of the outcome measures will not be available prior to the beginning of the next legislative session. This initiative will need to be reauthorized since the appropriation was for the 2009 biennium only and the legislative appropriation subcommittee indicated that it wanted to review program performance prior to continued implementation. LFD staff has worked with DofA staff to try to determine what types of available data exist to provide some data relative to the performance m



Version	Date	Author
6101-21-11 - BO - 1	12/5/07	Steinbeck
6101-21-11 - BOW - 2	5/21/08	Steinbeck

Change Description
LFD Narrative
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