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Workers' Compensation Agency

Presentation to

House Appropriations Subcommittee on Licensing and Regulatory Affairs

March 16, 2017

WCA Mission

- Michigan's injured workers and their employers are governed by the Workers' Disability Compensation Act. The Act, first enacted in 1912, ensures appropriate medical care and wage replacement for workers who suffer an occupational caused disability while providing valuable liability protections for employers.

- The mission of the Workers' Compensation Agency is to efficiently administer the Act and provide prompt, courteous and impartial service to all customers.

WDCA Update

"Michigan now has a solid, well-defined modern scheme for workers' compensation, which better serves both the interests of employers and of their employees."

- Gerald M. Marcinkoski, February 8, 2016 published by Mackinac Center for Public Policy, www.mackinac.org

Pure Premium Decreases

- Michigan's WC pure premium rate will drop an 9.3% in 2017. *- Compensation Advisory Organization of Michigan (CAOM)*

- A composite 32.7% reduction from 2011 through 2016. *- CAOM*

Pure Premium Decreases

The composite 32.7% reduction from 2011-16 has saved MI businesses

$327 million

in workers' compensation premiums *- CAOM*

Self-Insurance & Employer Compliance

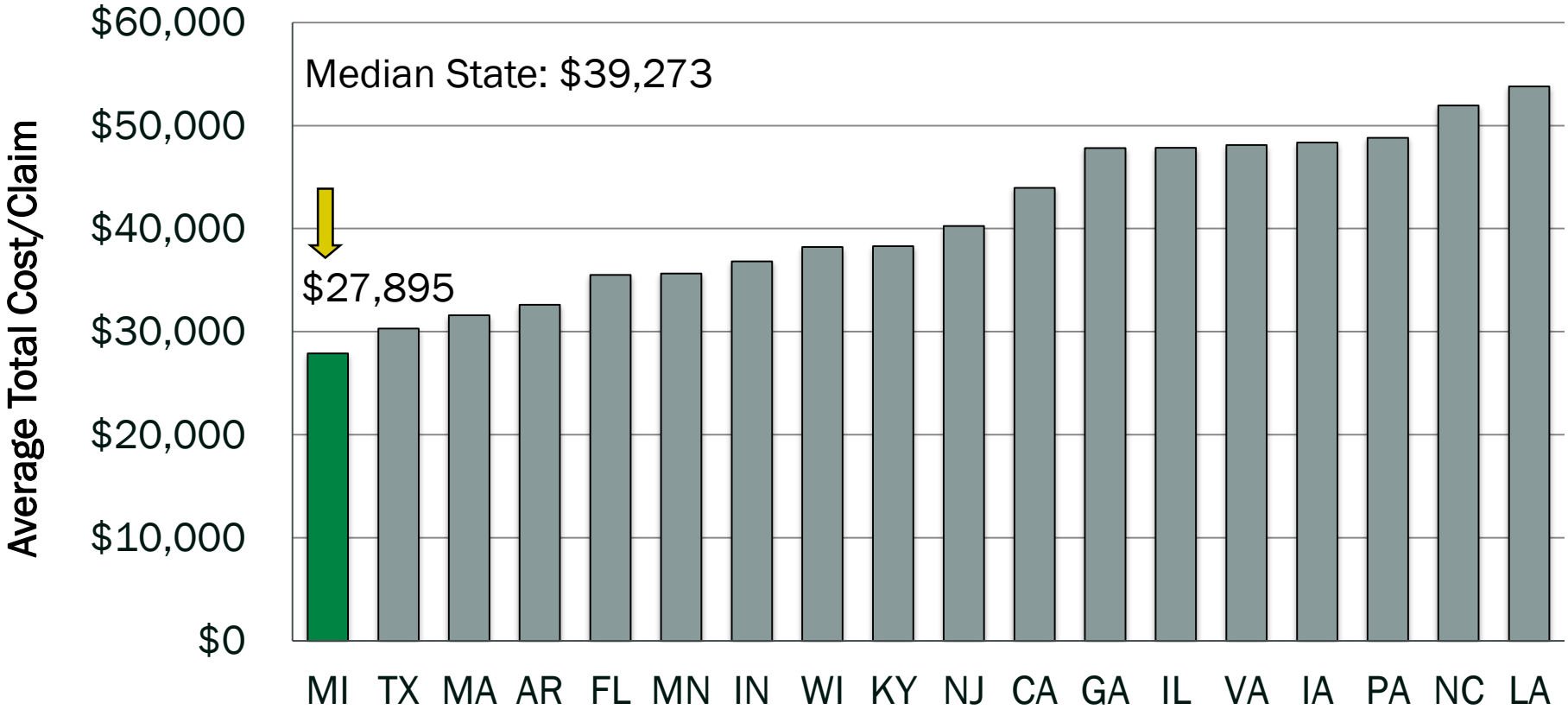
- Approve and oversee over 390 individual self-insurers and 29 active group self-insurers.
  - Group self-insurers report over $635M in assets and $200M in premium.
- Authorized **over $53M** in surplus distribution to group self-insurers.
- Approved 4 *Specific-Risk* Policies for projects totaling in excess of $260M.

How do we compare?

"Workers' compensation represents a major expense for manufacturers, so it's in their interest to operate in states with lower costs. Compared with Illinois, Michigan's workers' compensation premium rates are roughly 30 percent lower."

Madelyn Harwood, Illinois Policy Institute, https://www.illinoispolicy.org/, March 13, 2017

MI Total Costs Per Claim With > 7 Days Lost Time The Lowest Of Study States



2012/15 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix And Wages

Source: *CompScope™ Benchmarks for Michigan, 16th Edition*

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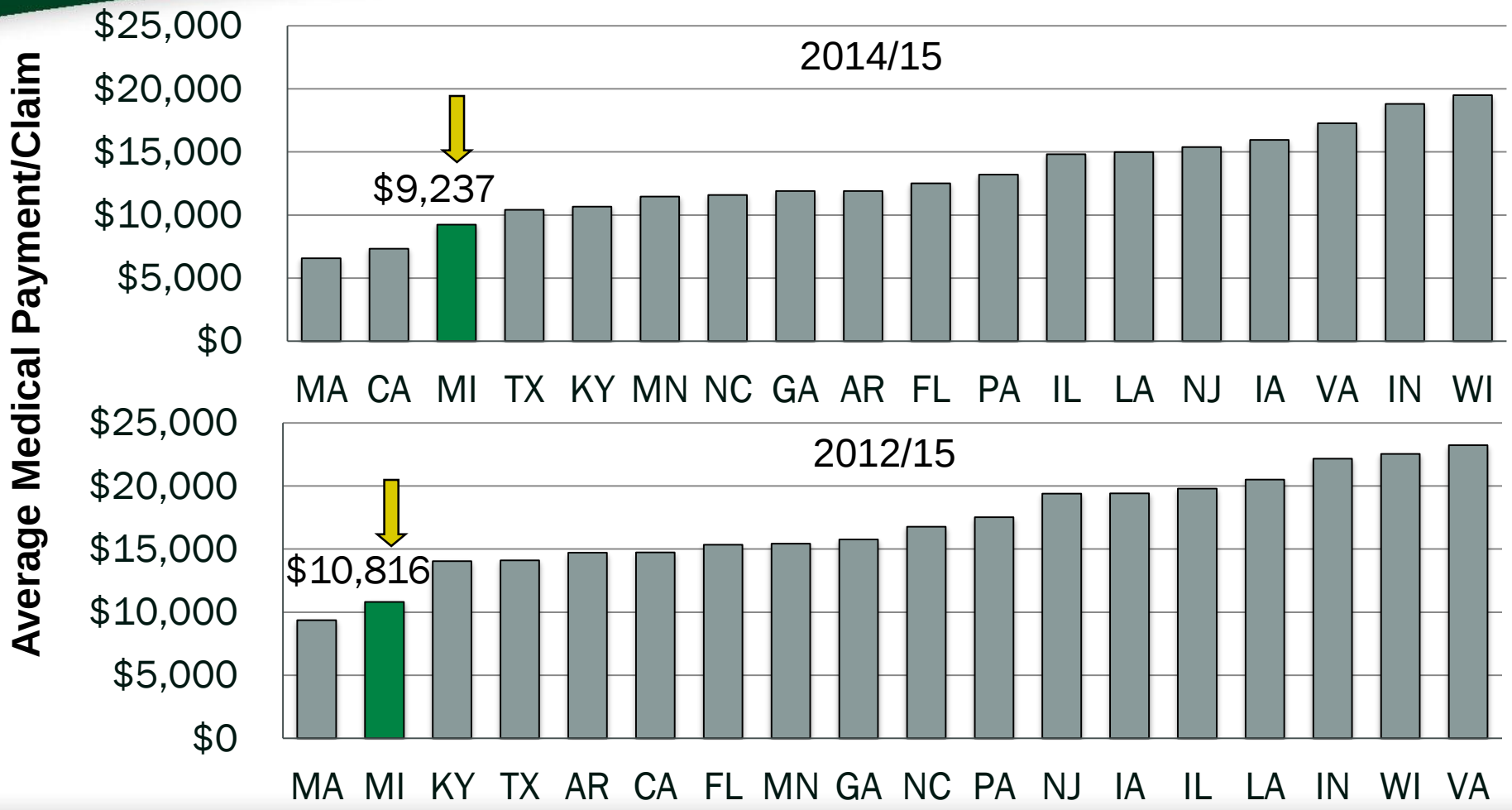
Michigan Had Among The Lowest Medical Payments Per Claim Of All Study States



Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix

Source: *CompScope™ Medical Benchmarks for Michigan, 17th Edition*

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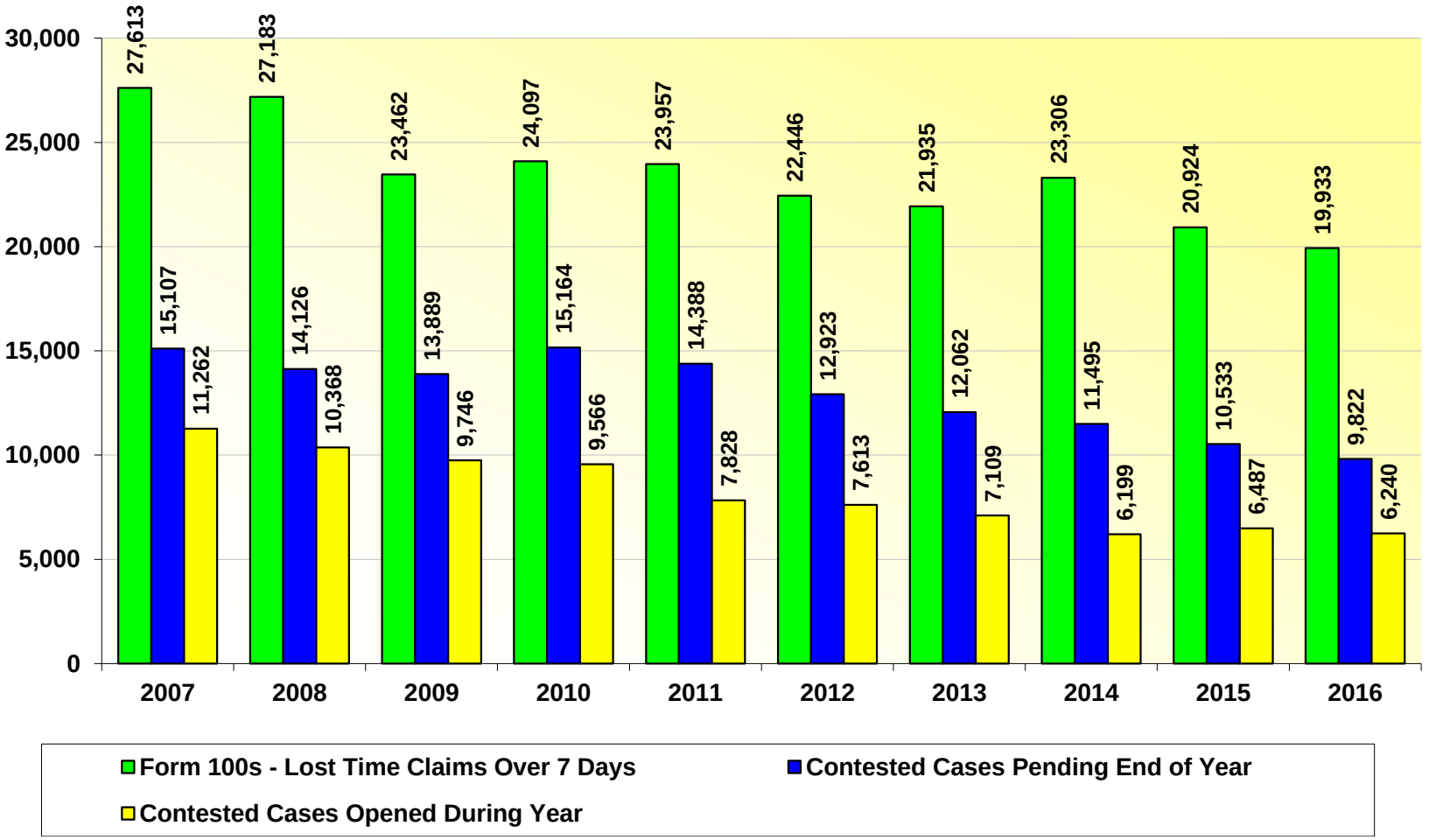
Claim/Case Trends



Compensation Supplement Fund

- Provides inflationary boost to limited class of employees – 1965-79
- WCA reimburses carriers either through tax credit or direct compensation
- 1982: 17,500 eligible claimants
- 2016: 1,023
- Average Payment: **$157.00** per month

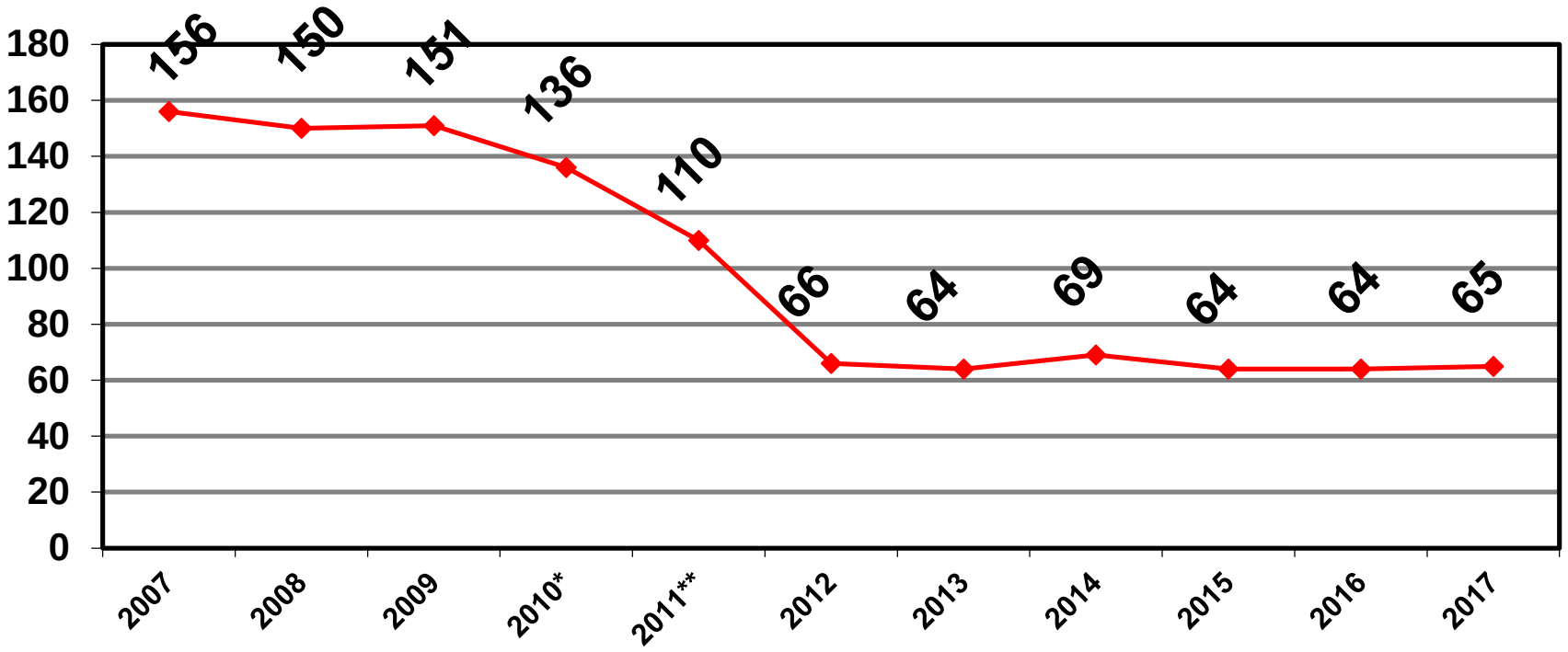
First Responder Presumed Coverage Fund

- PA 515 of 2014 creates a presumption for a First Responder diagnosed with any respiratory tract, bladder, skin, brain, kidney, blood, thyroid, testicular, prostate, or lymphatic cancer.
  - Activated on September 22, 2016 - PA 248 of 2016 provided $3 million
- Be a member of a fully paid fire department or public fire authority and be compensated on a full-time basis.
- Be in active service of the department or authority for at least 60 months.
- Workers' Compensation Agency Director is the administrator of the Fund.

FRPCF Statistics

- Claims Received: 11
  - 6 approved, 3 denied, & 2 pending
- Claims Expenditures: $17,530.04
  - Medical: $1,973.72
  - Indemnity: $15,508.32
  - LAE: $48.00
- Administration:
  - Claims Administrator: $33,000 – 1/3 of 3 year contract
  - WCA Staff: $11,183.31
- 2017 Anticipated Expenditures:
  - Medical: $429,500
  - Indemnity: $40,000
  - LAE: $37,300

WCA Total Staffing



** 2011 figure as of January 1, 2011
* 2010 figure as of April 2010

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- EO 2009-53 reduced the number of magistrates to 17 as of 1/2010.
- Early Out retirements in 2003 and a retirement incentive in 2010 resulted in staff reductions within the Agency.
- EO 2011-4 and 2011-6 transferred several sections from the WCA to another SOM agency.

How is WCA Funded for FY18?

- WCA Administration Budget: $8.07 million
  - GF/GP: $3.39
  - Corp/Sec Fees $2.82
  - WCRF: $1.66
  - First Responder $0.20
- Funds Administration Budget:$5.26 million**
  - Second Injury Fund $2.60
  - Self-Insurers' Security Fund $1.57
  - Silicosis & Dust Disease Fund $1.09

**Restricted Funds from assessments MCL 418.501-561

WCA Efficiencies

- Through **R**einventing **P**erformance in **M**ichigan we have implemented two **staff-driven** LPI projects:
  - Compliance & Employer Records – Adopted 19 of 22 recommendations and **reduced** backlog by **16** weeks.
  - Claims Processing (indemnity/injury reporting and auditing) – Adopted 12 of 13 recommendations.
  - (Re)Reviewed all forms for utility and statutory support.

- Agency is making greater use of its digital imaging technology system:
  - Begun the process to create electronic filing system for Self-Insured Program Division to replace over 750 large hard copy files (40 Gig) and all future filings.
  - Optimal Character Recognition (OCR)

- Agency has replaced hardcopies of numerous publications and forms and provides fill-in versions of the most frequently used forms on the website.

- Consolidated multiple positions.

Challenges…

- Self-Insurers' – appropriate security levels
- Medical Fee Schedule – (MCL 418.315)
  - *Designing Workers' Compensation Medical Fee Schedules*
    - WCRI November 2016
  - AIR AMBULANCE
- Fee Revenues
  - As the overall number of cases decline Redemption fees (MCL 418.835) follow suit.
- Old Technology
- Retirements – 43% by 2020

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