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Performance Report



Department of
Labor and Industry

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1996 Agency Performance Report Minnesota Department of Labor and Industry

- Executive Summary -

The Department of Labor and Industry strives to foster a safe, efficient and productive working environment for Minnesota's workplaces. Agency goals to fulfill this mission are:

- To minimize the impact of work-related injuries and disease on employers and employees;
- To help employers and employees eliminate hazards in the workplace that contribute to injuries and illness;
- To enable employers to create a trained and diverse workforce through registered apprenticeship training;
- To assure the safe operation of boilers, hobby boilers, boats-for-hire, and pressure vessels; and that installation of ammonia and high pressure piping systems are in accordance with the state's piping code; and
- To assure employer compliance with Minnesota's wage, hour, and child labor laws; certify accurate, timely prevailing wage rates for public construction projects; assure that fee employment and entertainment agencies operate pursuant to state law; and provide interested people information on state employment laws.

The department's organization includes three divisions. Two divisions deliver program services while the third provides technical and administrative support to the agency's operating units. The two service delivery divisions are Workers' Compensation and Workplace Services. The Workers' Compensation Division is responsible for administration of the state's workers' compensation system which provides medical, rehabilitation, and indemnity benefits to workers injured on the job. The Workplace Services Division is responsible for administration of the state's apprenticeship program, labor standards activities, occupational safety and health compliance and consultation, and enforcement of the state's boiler and higher pressure piping codes.

Labor and Industry is fundamentally a regulatory agency that monitors the performance of others. It has the power to conduct audits, inspections, and investigations to compel compliance with laws under its jurisdiction. The agency is developing a more balanced approach to achieving compliance by emphasizing consultation and collaboration in conjunction with the tools of enforcement.

Agency programs are redesigning their business processes to improve customer service and encourage statutory compliance through greater cooperation and collaboration with the regulated parties. The guiding principals for this

transformation are found in the following strategies:

- Support and enhance a “customer first” tradition;
- Regulate through consistent, well-defined policies;
- Educate stakeholders and agency employees;
- Continually analyze and review business processes; and
- Use technology to improve agency effectiveness.

The goals, objectives, and outcome measures presented in this report reflect the changing nature of the department. They focus on the department’s future direction rather than its past. They were all developed by agency personnel to accurately and effectively gauge programs’ performance. Most of the measures presented in this report reflect the performance of insurers, employers, and other regulated parties complying with their respective legal responsibilities.

The department used this opportunity to articulate its agenda for the future. In some instances, program objectives are under development and outcome measures have no data presented. Data and information for many programs are unavailable because:

- most existing internal management reports do not conform to the comprehensive reorganization of the workers’ compensation division’s business processes and the new operating units and activities;
- the workers’ compensation database is being upgraded and no new or revised management reports are being developed for the old system to allow for migration to the new system;
- of database limitations designed into the agency’s computer systems over the past 15 years prevent the capturing of historical and/or appropriate data;
- data and information were never captured and maintained in the format necessary to report the outcome measure;
- the objectives and outcome measures developed by the department are new; and
- appropriate, relevant data and information may be difficult to capture for a program.

Despite these limitations, this report presents a clear direction for the future of the department.

Workers’ Compensation Division

The mission of workers’ compensation is to minimize the impact of work-related injuries and illness on employers and employees. The Workers’ Compensation Division exists to provide a fast, responsive and easy-to-use workers’ compensation system that minimizes waste and which reduces disputes with fair and predictable results. Division goals are:

- To make accurate, timely workers’ compensation information available to customers;
- To obtain prompt and full compliance with all reporting and monetary benefit provisions of the workers’ compensation law;
- To provide accurate information and dispute prevention and resolution services;
- To hear and resolve workers’ compensation disputes efficiently, fairly, and in accordance with the law and to ensure trial readiness of unresolved disputes;
- To assist injured workers in a prompt return to appropriate employment; and
- To efficiently and equitably administer the statutorily guaranteed benefits to injured workers, ensure

employers have workers' compensation insurance coverage, and ensure the effective delivery of medical and rehabilitation services.

The division's performance information is presented by individual business activity which correspond to the goals articulated above. The business activities are the information processing center, compliance services, customer assistance, judicial services, vocational rehabilitation, and special compensation fund. The presentation of program performance is complicated by the recent comprehensive redesign of some division business processes and reorganization of operating units to improve customer service. The most dramatic change occurred in 1995 with the installation of new computer technology that creates electronic images of paper documents. Three new operating units arose from this change including the information processing center, compliance services, and customer assistance.

Special Compensation Fund Balance

The division is responsible for collecting a special assessment on workers' compensation insurers and self-insured employers to pay some costs of the workers' compensation system. The special compensation fund assessment generates over \$100 million annually. The current assessment rate is 28 percent and is applied against insurers' and self-insured employers' paid indemnity benefits. The money collected reimburses insurers and self-insured employers for their Supplementary Benefits and Second Injury Fund expenses, pays uninsured claims, and provides for state administration of the workers' compensation system.

- The special compensation fund posted a positive balance in FY 1995 for the first time in many years. The balance posted for FY 1995 was \$16.5 million. The estimated balance for FY 1996 is \$25.6 million. These positive balances are the result of the department's deficit elimination program initiated in 1991 when the special compensation fund deficit was over \$40 million. In the future, the financial obligations of the special compensation fund will be monitored to assure the assessment rate generates a corresponding income.

Information Processing Center

The Information Processing Center is responsible for creating, maintaining, and managing availability to over 1.2 million workers' compensation files. These files may be on paper, microfilm, or electronic images. An efficient and effective workers' compensation system needs the ability to retrieve accurate records in a timely manner. Performance information for this unit focuses on the availability and accuracy of workers' compensation documents maintained as electronic images.

- In FY 1996, the first full year of operation, 293,303 documents were scanned into electronic images and 62,968 electronic workers' compensation records (i.e., claim files) were created. The division set the image availability objective at 90 percent of documents being available within 48-hours of agency receipt. The department was not able to compute the image availability rate for FY 1996 because the measuring tools were being refined to properly measure the appropriate activities.
- Still under development is a document accuracy rate to measure the accuracy of associating documents and data to the proper workers' compensation claim.

Compliance Services

The Compliance Services unit is responsible for ensuring that insurers and self-insurers pay workers' compensation benefits promptly and accurately to injured workers. It fulfills this mission by monitoring employers' and insurers' compliance with their reporting and benefit payment obligations under the law. Performance information for this unit is mostly a reflection on insurers and self-insurers achieving their statutory obligations.

Minnesota law directs insurers and self-insured employers to initiate payment of weekly indemnity benefits to injured workers within 14 days of the first report of the injury or notice to the employer, whichever occurs later. The law also directs them to accept or deny liability for the claim within 14 days from the first report of injury or

notice to the employer. Another key obligation is accurate payment of workers' compensation claims. Insurers and self-insurers collective ability to meet these standards are a key performance measure for this unit.

The agency is unable to provide outcome measures in this performance report for these items because of limitations in the agency's workers' compensation database. Recent revisions to several forms that document the progress and status of workers' compensation claims will correct this problem. The revisions were made to improve insurer and self-insurer compliance through more effective agency enforcement, consultation, and education.

Customer Assistance

The Customer Assistance unit's mission is to provide accurate, neutral, and timely information, assistance and dispute prevention and resolution services to employees, employers and other stakeholders in the workers' compensation system. The unit's goals are: 1) to be responsive to stakeholder inquiries regarding workers' compensation rights and responsibilities; 2) to prevent formal disputes from being filed; and 3) to resolve disagreements and disputes by using alternative dispute resolution methods that avoid litigation. It dispenses workers' compensation information through the agency's Hotline and walk-in assistance. In addition, the unit attempts to prevent and resolve disputes by providing early intervention assistance and alternative dispute resolution services in the form of mediation, administrative conferences, and non-conference decisions. Performance information for this unit focuses on the results of effective, efficient customer service.

The unit measures its first goal, responsiveness, in terms of how long a person waits before they speak to agency personnel and the length of time to get an answer to their inquiry.

- The average wait time for this objective was set at three minutes. Information on this measure is unavailable for this performance report because the unit was created during FY 1996 and the measurement tool was being refined to accurately reflect the unit's needs.
- Another equally important measure of responsiveness is the unit's ability to answer questions posed by injured workers, employers, and other stakeholders within two days of the inquiry. Past performance information on this measure is not available for this report because data on answering inquiries is not yet systematically captured. The department is working on this issue as part of its redesign of the workers' compensation database.

Customer Assistance measures achievement toward its second goal, dispute prevention, as reductions in the number of formal requests-for-assistance (RFA) filed by claimants.

- The total number of RFA filings dropped by nearly 2,000 since FY 1993. This unit anticipates continued reductions in the number of RFA filings because of its focus on early intervention strategies to prevent disputes between claimants and insurers.

The unit measures its third goal, dispute resolution, by the share of reported potential disputes and disagreements resolved through its efforts. Data and information on this measure are unavailable because the division is in the process of defining terms associated with dispute, redesigning the workers' compensation database to capture this data, and refining Customer Assistance's work processes.

Judicial Services

The Judicial Services unit provides pre-litigation alternative dispute resolution services to achieve efficient, final resolution of workers' compensation disputes. Its goals are to resolve workers' compensation disputes, assure dispute resolution is efficient, fair, and in accordance with the law, and ensure trial readiness for unresolved disputes (i.e., claim petitions). Resolution of disputes occur through mutually agreeable solutions facilitated by the judge, or by order of the judge after an informal administrative conference or small claims court proceeding. Those disputes that cannot be resolved are referred to the Office of Administrative Hearings (OAH) for formal hearings.

Performance information for this unit focuses on the results and process of resolving disputes.

The unit measures its first goal, dispute resolution, as the share of disputes resolved without certification for hearing to OAH. The dispute resolution rate is unavailable because the division is in the process of defining terms associated with dispute, redesigning the workers' compensation database to capture this data, and redesigning some of judicial services' business processes. The actual number of cases certified to OAH for a hearing has been declining for several years.

Judicial Services measures achievement toward its second goal, an efficient and fair resolution process, in many ways. The measure presented in the performance report focuses on the average length of time to resolve a dispute. It is a measure under development as part of the department's redesign of business processes and workers' compensation database. The existing workers' compensation database was not designed to collect and report this type of information. Data for this goal will be captured in the new scheduling system and redesigned workers' compensation database.

The third goal of judicial services, trial readiness of disputes, is the product of discussions between the department and OAH.

- Department workers' compensation judges, working with the parties to a dispute, attempt to settle disputes by assembling all relevant information. All or part of a case may be certified to OAH for a hearing if the parties cannot resolve their differences. A case is trial-ready if the parties have completed a variety of tasks associated with dispute resolution. Judicial services is developing a measurement of trial readiness as part of its redesign of business processes and establishment of its workers' compensation database needs.

Vocational Rehabilitation Unit

The Vocational Rehabilitation Unit provides injured workers' rehabilitation services to facilitate their return to productive, appropriate employment. Its goals are to provide timely services to injured workers whose claims were denied liability by insurers or self-insurers, and to assist eligible injured workers' with a timely return to appropriate work. Performance information for this unit focuses on early intervention with injured workers and the return to work (RTW) of its clients.

The unit measures its first goal, early intervention, by the average length of time it takes injured workers to access a rehabilitation consultation after the insurer filed the denial of workers' compensation liability with the department.

- The unit's objective is to provide a rehabilitation consultation, on average, to injured workers with denied claims 90 days after the denial is filed with the department. Performance for this objective is unavailable because the data and information are collected and maintained primarily in the unit's paper case notes and records. The unit is developing a case management system that will capture and maintain this information as part of its redesign of business processes.

The vocational rehabilitation unit measures achievement toward its second goal, return-to-work, in terms of clients' return-to-work rates and replacement wage rates.

- "Return-to-work" occurs when a claimant returns to work with the same or different employer in the same or different job/occupation. Replacement wage is the percentage of the weekly wage earned on the date of injury (DOI) that is replaced by the weekly wage earned from the return-to-work job. The unit maintains nearly all client services data and information on paper. The only exception is the data the department enters into the workers' compensation database which includes the cost, start and end dates of rehabilitation plans. The case management system being developed by the unit will also capture and maintain data required to compute these measures.

Special Compensation Fund

The Special Compensation Fund collects the assessment paid by insurers and self-insured employers that pays for state administration of the workers' compensation system, reimbursements to insurers and self-insured employers for Second Injury (SI) and Supplementary Benefit (SB) expenses, and administration of workers' compensation claims for uninsured employers and some bankrupt self-insurers. This unit's goals are to: 1) equitably administer the receipt and disbursement of special compensation funds; 2) efficiently administer the receipt and disbursement of special compensation funds; 3) ensure employers obtain workers' compensation insurance coverage; 4) ensure the efficient delivery of vocational rehabilitation services to eligible injured workers at a reasonable cost; and 5) ensure that injured workers receive reasonable and necessary medical care for the cure and relief of their work injuries at a reasonable cost to employers. Performance information for this unit focuses primarily on the performance of stakeholders in the workers' compensation system.

The unit measures its first goal, equitable administration of the fund receipts and disbursements, in terms of accurate assessment payments to the fund and employer reimbursement for costs of their uninsured claims.

- The error rate on assessment payments made by insurers and self-insured employers remained steady at four percent for several years and is projected to continue into the future.
- Reimbursement of uninsured claim costs by employers improved in FY 1996 to 96 percent from 11 percent registered in FY 1993. The improvement resulted from the agency leveraging existing internal and external resources to compel employers to reimburse the department for the cost of these uninsured claims. The program's objective is to maintain a 30 percent reimbursement rate of uninsured claim costs which reflects the potential influence the agency's aggressive approach to penalizing uninsured employers has on employers' ability to pay claim costs.

The second goal, efficient administration of fund receipts and disbursements, is measured for this report as the timeliness of paying uninsured workers' compensation claims and reimbursing insurers and self-insured employers for SI and SB expenses.

- Indemnity wage-loss benefits must be paid within 14 days of the department being notified of a valid claim. This unit has the same obligation that any insurer has to initiate payment of weekly indemnity benefits. The percentage of uninsured claims paid within 14 days of notice is the outcome measure.
- The unit set an objective of paying 95 percent of SI and SB reimbursements within 90 days of receiving the request.

Reporting performance for either measure is not possible because the department does not systematically capture data and information on uninsured claims or SI and SB reimbursements. Both measures are under development as part of the agency's effort to install an automated claims management system.

The third goal, enforcement of employers' obligation to have insurance coverage, is measured in terms of the incidence rate of uninsured indemnity claims and the average uninsured penalty settlement amount.

- The incidence rate for uninsured indemnity claims has historically been above 3.0 per 1,000 indemnity claims. The fund's objective is to lower the incidence to 2.1 per 1,000 indemnity claims through an effective education and enforcement effort.
- Part of this enforcement effort is an administrative penalty strategy that requires uninsured employers to pay considerably more than their evaded premium as the penalty. The objective is to achieve an uninsured employer penalty settlement rate of two times (i.e., 200 percent) the uninsured employers' evaded premiums. The fund achieved 113 percent in FY 1996.

The fourth goal, efficient delivery of vocational rehabilitation services at reasonable cost, is measured by the return-to-work rate, wage replacement rate, and average cost of rehabilitation plans.

- “Return-to-work” occurs when a claimant returns to work with the same or different employer in the same or different job/occupation. Replacement wage is the percentage of the weekly wage earned on the date of injury (DOI) that is replaced by the weekly wage earned from the return-to-work job. Data and information on these two measures are filed with the department and inserted into the appropriate claim file. Data entered into the workers’ compensation database, for the period of this report, includes the cost, start and end dates of rehabilitation plans.
- The average cost of closed rehabilitation plans rose to \$5,700 in CY 1995 from \$3,100 in CY 1991 after the repeal of mandatory rehabilitation in 1992. The reason for this change is that injured workers accessing rehabilitation services under the current law require more extensive help than those exempted from services which were receiving services before change in the law.

The department started capturing relevant rehabilitation data and information on October 1, 1996 for a new annual vocational rehabilitation performance report which will be reported in future agency performance reports.

The objectives and measures for the fifth goal of the special compensation fund, efficient delivery of medical services at reasonable cost, are under development. The primary reason for this situation is the relative newness of this activity and its responsibilities.

Workplace Services Division

The mission of the Workplace Services Division is to prevent workplace injuries and illnesses, promote fair wages and working conditions, and develop highly skilled workers through registered apprenticeship. It works to prevent workplace injuries and illnesses through occupational safety and health enforcement and consultation, and through code enforcement of ammonia and high pressure piping, boilers and pressure vessels, and inland boats for hire. It works to promote fair wages and working conditions through enforcement of Minnesota’s Fair Labor Standards Act, child labor laws, minimum and prevailing wages, lie detector protections, fee employment and entertainment agencies laws. It also works to develop a highly skilled workers through the establishment and registration of apprenticeship training programs. Division goals are:

- To help employers and employees eliminate hazards in the workplace that contribute to injuries and illness;
- To assure the safe operation of boilers, hobby boilers, boats-for-hire, and pressure vessels, and that installation of ammonia and high pressure piping systems are according to the state’s piping code;
- To assure employer compliance with Minnesota’s wage, hour, and child labor laws; certify accurate, timely prevailing wage rates for public construction projects; assure that fee employment and entertainment agencies operate pursuant to state law; and provide interested people information on state employment laws; and
- To help employers create a trained and diverse workforce through registered apprenticeship training.

The division performance information is presented by individual business activity which correspond to the goals articulated above. The business activities include occupational safety and health, code administration and inspection services, labor standards, and apprenticeship.

Occupational Safety and Health

The mission of Minnesota's occupational safety and health program is to help employers and employees eliminate hazards in the workplace that contribute to injuries and illness. This activity's goals are to: 1) identify and eliminate workplace hazards; 2) efficiently target and influence employer compliance; and 3) be responsive to stakeholder concerns and needs. It fulfills these goals through two distinct, complimentary approaches. The first is occupational safety and health compliance that promotes and ensures safe and healthful working conditions by conducting inspections to identify hazardous conditions, setting abatement dates for elimination or control of hazards, issuing citations and penalties to promote voluntary compliance, and investigating workplace fatalities and serious accidents to prevent their recurrence. This effort also encourages employer compliance through several outreach initiatives that include conducting safety seminars and providing information and technical assistance. The second approach is occupational safety and health consultation which provides safety and health services to small employers, at no cost, who request assistance in understanding and achieving voluntary compliance with Minnesota's Occupational Safety and Health Act. This effort helps employers and employees implement effective safety and health programs to prevent the occurrence of injuries and illnesses which may result from exposure to hazardous workplace conditions and work practices. Performance information for this activity is mostly a reflection of employers' compliance with the state's occupational safety and health laws.

This occupational safety and health activity measures its first goal, hazard identification and elimination, in terms of the lost-workday incidence rate, fatalities, and hazard abatement.

- The lost-workday incidence rate is a measure produced by the federal Bureau of Labor Statistics (BLS) through a survey of OSHA 200 logs kept by employers. BLS produces a lost-workday incidence rate for the nation and each state. The most recent BLS report is for CY 1994 and shows Minnesota's private-sector lost-workday incidence rate at 3.8 per 100 full-time-equivalent (FTE) workers which is the same for the nation as a whole. When the public-sector is added to the measure, Minnesota's lost-workday incidence rate is reduced to 3.7 per 100 FTE workers.
- Minnesota had 22 fatalities in industries covered by the state's occupational safety and health law during CY 1995 which is a 21 percent decline from the 28 fatalities registered in CY 1992. The activity's objective is to reduce fatalities 40 percent from the number registered in 1992 by CY 2000.
- Employers are directed to abate safety and health hazards as the result of safety and health inspections. The amount of time given employers to abate safety hazards is 30 days and to abate health hazards is 60 days. The activity's objective for both is 80 percent cited hazards being abated within the required timeframe. Employers' performance for promptly abating safety hazards in FY 1996 was 72 percent and for abating health hazards in FY 1996 was 74 percent. The agency's abatement monitoring systems are being refined to improve employers' performance.

The second goal, efficient targeting and influencing employer compliance, is measured in terms of how well this activity identifies work sites to inspect or provide consultation assistance.

- This activity annually schedules hundreds of employers for routine (i.e., programmed) occupational safety and health inspections. They are commonly referred to as "wall-to-wall" inspections. This activity's objective is to more effectively target its programmed compliance inspections at employers that have workplace hazards. Current performance shows the rate of programmed safety and health inspections with cited hazards declined from 72 percent in FY 1993 to 48 percent in FY 1996. The activity's objective is 70 percent. The occupational safety and health compliance activity adopted a better employer identification tool which focuses on individual employer's incidence of workers' compensation injuries.
- The occupational safety and health consultation activity provides on-site consultations to small businesses with high hazard workplaces. Services provided include: 1) identifying safety and health hazards in the workplace;

2) helping control or eliminate the hazards successfully; 3) establishing or improving a workplace safety and health program; and 4) helping employers and employees understand all the requirements of applicable federal and state laws and their implementing regulations. Current performance shows the rate of consultation visits to high hazard workplaces remains at or above 90 percent, the federal OSHA standard for this activity.

The third goal, responsiveness, is measured for this report in terms of the agency's responsiveness to imminent danger complaints or referrals.

- The occupational safety and health compliance activity responds to all reports of hazardous work situations. The response to reports of imminent danger are immediate. Imminent danger is a work condition or practice that presents a substantial probability that death or serious physical harm could result immediately. The objective is to respond to 100 percent of imminent danger complaints and referrals within one day of the complaint/referral being made to the department. This objective was met in one of the past four years, FY 1993, with the lowest rate being registered in FY 1994 at 88 percent. Since the number of imminent danger inspections total less than 100 each year, extenuating circumstances on few inspections can have a substantial affect on performance.

Code Administration and Inspection Services

Code Administration and Inspection Services's mission is to: 1) assure public and workplace safety where boilers, pressure vessels, boats-for-hire, and hobby boilers are in operation; and 2) assure that ammonia and high pressure piping systems are installed according to the state's piping code. The unit maintains the state's boiler and high pressure piping codes; examines and licenses boiler operators, boat pilots, pipe fitters and pipefitting contractors; inspects boilers and pressure vessels, the manufacture and repair of boilers, boats-for-hire, and high pressure piping systems; and issues permits to install and construct high pressure piping systems. Performance information for this unit focuses on the contractors' and vessel (e.g., boilers, pressure vessels, boats-for-hire) owners' compliance with their obligations under the law.

The first goal, safe operation of boilers, pressure vessels and boats-for-hire, is measured in terms of the incidence of violations and unlicensed boiler and boat pilot operators per inspected vessels. The department and insurers inspect boilers and pressure vessels for compliance with the state's boiler code. The department annually inspects all boats-for-hire and hobby boilers for compliance with state law. Compliance objectives for this goal have not been set because the department's current technology, which captures and maintains data on vessels and vessel inspections, precludes systematic monitoring of inspections. The department is reviewing alternatives to improving data collection and maintenance as part of its overall plan to migrate from its 15-year old mainframe computer system to a more flexible system based on client server technology.

The second goal, installation of ammonia and high pressure piping systems, is measured in terms of the number of certification inspections necessary to approve operation of a piping system.

- All newly installed or modified ammonia and high pressure piping systems must pass a final inspection by the department to operate. The agency's final inspection certifies that a contractor installed the piping system in accordance with the state's high pressure piping code. This unit's objective is to average 1.3 final certification inspections per installation permit through FY 1999. Inspection data on ammonia and high pressure piping systems are collected and maintained as part of a paper-based system that does not currently permit reporting and analysis. The department is reviewing alternatives to improving data collection and maintenance as part of its future information technology plan.

Labor Standards

The Labor Standards Division mission is to assure employer compliance with several state employment laws and that fee employment and entertainment agencies are licensed and operating in accordance with state law. Its goals are to: 1) assure employer compliance with Minnesota's Fair Labor Standards Act, Child Labor Standards Act, and

other employment laws; 2) provide accurate, timely prevailing wage determinations for public construction projects; 3) assure that fee employment and entertainment agencies in Minnesota operate pursuant to state law; and 4) provide interested persons information on Minnesota's employment laws. Performance information for this unit focuses on both the regulated parties' compliance with their obligations and the department's customer service.

The first goal, employer compliance with state employment laws, is measured and presented in this report in terms of time necessary to complete an investigation.

- This unit investigates over 400 complaints each year against employers for violations of the state's wage, hours, and child labor laws. The unit's objective is to complete 90 percent of these investigations within 95 days of the complaint being filed with the agency. Data and information on this measure are captured and maintained on the department's computer. The unit's management report has not included this information. It will be added when the agency migrates to its new, more flexible client server technology from the 15-year old mainframe computer system.

In future agency performance reports an incidence rate will also be presented that shows the incidence of valid complaints per 10,000 employees.

The second goal, timely and accurate prevailing wage determinations, is measured by the accuracy of prevailing wage rates certified by the department. A timeliness measure was not presented in the performance report because the department easily meets its 60-day statutory response timeframe. This unit's objective for timely prevailing wage certifications is ten days.

- This unit certifies prevailing wage rates for state and local public construction projects. The prevailing wage rates reflect the statutorily computed wage rate for different classes of employment. The unit's objective is to accurately certify 100 percent of the prevailing wage rates issued each year. In FY 1996, the first year this measure was available, the department accurately certified 96.6 percent of the prevailing wage rates. An accurate certification, for this measure, is considered to be a prevailing wage rate that is never appealed or remains unchanged after a formal review compelled by an appeal of the rate.

The third goal, regulating fee employment and entertainment agencies, is measured by the rate of valid licenses held in these industries. The unit's primary responsibility is to license or register fee employment agencies, entertainment agencies, and employment search firms.

- Fee employment agencies, and their employees, must be licensed by the department before they can charge a job placement fee to a person seeking employment. The number of licensed fee employment agencies is declining every year. The unit's objective is to license 100 percent of fee employment agencies. The department believes that 100 percent of such agencies in the state are licensed because most employment search firms collect their fees from employers. The formal measuring instrument is under development.
- Some statutorily defined entertainment agencies must be licensed by the department before they may operate in Minnesota. Very few agencies are registered and licensed because the department has difficulty enforcing the licensure requirement in law. The department must rely on county prosecutors to file a complaint in district court against entertainment agencies. An appropriate measure is under development by the unit to comply with this statutory mandate.

The unit is developing objectives and measures for achieving the fourth goal of providing information to interested persons on Minnesota's employment laws. The focus is on developing objectives covering access to information and customer satisfaction with the service.

Apprenticeship Training

The Apprenticeship Division is to help employers create a trained and diverse workforce through registered apprenticeship training. It provides opportunities for individuals 16 and older to be part of an education/on-the-job training process in state approved, registered apprenticeship programs in many high skill/high wage careers. The unit's goals are to: 1) expand apprenticeship opportunities for youth and adults that provide employers with skilled workers; 2) increase the diversity of registered apprentices; and 3) maintain the relevance and quality of registered apprenticeship programs. Performance information for this unit is primarily the result of employers efforts with technical assistance from the department.

The first goal, expanding apprenticeship opportunities, is measured in terms increasing active, registered youth and adult apprentices.

- The department's objective for increases in the number of active, registered adult apprentices is five percent per year. The growth rate for FY 1995 was 11.8 percent and a higher 15.0 percent in FY 1996. This increase in the number of adult apprentices corresponds with a similar increase in the number of active, registered apprenticeship standards sponsored by employers. These increases follow two consecutive years in which apprenticeship enrollments were lower. The department is monitoring apprenticeship participation to determine whether the target should be increased in future years.
- The department's objective for increases in the number of active, registered youth apprentices is at 20 percent per year. The growth rate for both FY 1995 and 1996 were above 100 percent because the formal youth apprenticeship training effort is in its early development phase with growing numbers of apprentices.

The second goal, increasing diversity of apprentices, is measured in terms of the graduation rate of women and people of color from active, registered apprenticeship programs.

- The department's objective is to increase the share of women and people of color completing active, registered apprenticeship programs to 20 percent by FY 1999. During the past four fiscal years, the share of graduate apprentices ranges from 9.4 percent in FY 1993 to 15.7 percent in FY 1995. The rate in FY 1996 was down to 12.9 percent. The department emphasizes increasing apprenticeship opportunities for women and minorities and is implementing some strategies to accomplish this objective.

The third goal, maintaining relevance of training programs, is measured by whether employers' apprenticeship standards are up-to-date. These standards, approved by the department, articulate the parameters of a sponsor's apprenticeship program -- including the schedule of wage increases, number of hours of classroom training, and the skills to be mastered.

- The department's objective is to maintain active, registered apprenticeship standards are 100 percent up-to-date. Each year approximately 25 percent of the active, registered apprenticeship standards are adopted or revised. This measure does not have a track record to evaluate because it is new.
- A second objective is to maintain an average graduate-level apprentice hourly wages at 150 percent of the Statewide Average Weekly Wage (i.e., hourly equivalent) through FY 1999. The average hourly wage for apprentice graduates was 158.4 percent in FY 1996 and above 155 percent for the two previous years.

General Support Division

Investigative Services

The Investigative Services unit is the only part of the general support division that reports performance in the agency performance report. Its mission and primary goal are to refer workers' compensation fraud cases to local prosecuting authorities. The unit achieves its mission by investigating allegations of workers' compensation fraud

against employers, employees, insurers, insurance agents, health care providers, and other service professionals (i.e., attorneys, qualified rehabilitation consultants) and referring cases to county attorneys for criminal prosecution.

- The objective is to maintain a fraud referral rate of 10 percent through FY 1999. The referral rate for the first full year of operation was 14 percent in FY 1994. The annual referral rate for the next two years was 11 percent. This outcome is consistent with the clearance rate for property crimes in general. The unit changed its objective from the 25 percent reported in the 1994 agency performance report to the more appropriate 10 percent presented in this year's report.

Conclusion

The information presented in this report reflects the commitment of agency leadership and staff to identifying relevant goals, objectives, and outcome measures that set a clear path to improving customer service and fulfillment of the department's mission. This report represents the foundation upon which the department will build future performance reports.

AGENCY PERFORMANCE REPORT

1996

**LABOR AND
INDUSTRY DEPT**

TABLE OF CONTENTS

	PAGE NO
AGENCY SUMMARY	1
AGENCY EXPENDITURE SUMMARY	6
Program: WORKERS' COMPENSATION DIVISION	7
Budget Activity: WC INFORMATION PROCESSING CTR	13
Budget Activity: WC COMPLIANCE SERVICES	19
Budget Activity: WC CUSTOMER ASSISTANCE	28
Budget Activity: WC JUDICIAL SERVICES	39
Budget Activity: WC VOCATIONAL REHABILITATION	49
Budget Activity: WC SPECIAL COMPENSATION FUND	58
Budget Activity: OCCUPATIONAL SAFETY & HEALTH	81
Budget Activity: CODE ADMIN & INSPECTION SVS	100
Budget Activity: LABOR STANDARDS	110
Budget Activity: APPRENTICESHIP PROGRAMS	124
Management Activity: INVESTIGATIVE SERVICES	137

AGENCY : LABOR AND INDUSTRY DEPT**MISSION**

The Department of Labor and Industry strives to foster a safe, efficient and productive working environment for Minnesota's workplaces.

GOALS

- To minimize the impact of work-related illnesses and disease on employers and employees.
- To assist employers and employees eliminate hazards in the workplace that contribute to injuries and illness.
- To assure the safe operation of boilers, hobby boilers, boats-for-hire, and pressure vessels; and that installation of ammonia and high pressure piping systems are according to the state's piping code.
- To assure employer compliance with Minnesota's wage, hour, and child labor laws; certify accurate, timely prevailing wage rates for public construction projects; assure that fee employment and entertainment agencies operate pursuant to state law; and provide interested people information on Minnesota's employment laws.
- To enable employers to create a trained and diverse workforce through registered apprenticeship programs.

EXPENDITURES AND STAFFING

Program	F.Y.1996 Expenditures (\$ in Thousands)	Percent of Total	FTE Staff Positions	Percent of Total
WORKERS' COMPENSATION DIVISION	\$94,706	85.59%	213	49.40%
WORKPLACE SERVICES DIVISION	\$9,406	8.50%	140	32.46%
GENERAL SUPPORT DIVISION	\$6,543	5.91%	78	18.14%
Total	\$110,655	100.00%	432	100.00%

The Department of Labor and Industry is organized into three divisions. Two divisions deliver program services and the third providing general support to the agency's operating units. The two operating divisions are Workers' Compensation and Workplace Services. Workers' Compensation is responsible for administration of Minnesota's workers' compensation system which provides injured workers medical, rehabilitation, and indemnity benefits. Workplace Services is responsible for administration of Minnesota's apprenticeship program, labor standards activities, OSHA compliance and consultation, and the enforcement of boiler and high pressure piping codes.

This department is fundamentally a regulatory agency with the power to monitor compliance with state laws through audits, inspections and investigations that can lead to the issuing of administrative penalties. The agency inspects employers work sites for occupational safety and health hazards that can lead to injuries and illness. The agency investigates alleged violations of Minnesota's child labor, minimum wage, and overtime laws, and employers' lack of workers' compensation insurance coverage. The agency investigates allegations of workers' compensation fraud and audits workers' compensation claims to assure that injured workers' receive accurate and timely benefits. The agency routinely monitors the operation of boilers, pressure vessels, boats-for-hire, and hobby boilers.

The department is developing a balanced approach to achieving compliance with the laws under its jurisdiction. This approach combines the historic regulatory objective of compelling compliance with encouraging compliance through consultation and education. Reorganization of the department's workers' compensation management information systems illustrates this balance can be achieved. First, the department continues to monitor insurers' and employers' performance and assesses penalties. Second, the department analyzes the data to identify insurers and employers having difficulty complying with the law. Third, the department provides consultation and educational services to improve the performance of those who need help. The expectation is that individual and overall performance will improve.

Agency programs are redesigning their business processes to improve customer service and encourage statutory compliance through greater cooperation and collaboration with the regulated parties. The guiding principals for this transformation are found in the department's following strategies: (1) support and enhance a "customer first" tradition; (2) regulate through consistent, well-defined policies; (3) educate stakeholders and agency employees; (4) continually analyze and review business processes; and (5) use technology to enhance agency effectiveness.

The goals, objectives, and outcome measures presented in this Agency Performance Report reflect the changing nature of the department. This report presents the department's future direction. All of the objectives and outcome measures presented in this report were developed by agency personnel to accurately and effectively gauge programs' performance. The net result is that data does not exist for many of these objectives and measures and may not be available until F.Y. 1999.

The department used this opportunity to articulate its agenda for the future. In some instances, program objectives are under development and outcome measures have no data presented. Data and information for many programs are unavailable because:

- most existing internal management reports do not conform to the comprehensive reorganization of the workers' compensation division's business processes and the new operating units and activities;
- the workers' compensation database is being upgraded and no new or revised management reports are being developed for the old system to allow for migration to the new system;
- database limitations designed into the agency's computer systems over the past 15 years prevent the capturing of historical and/or appropriate data (i.e., overwriting the date of last inspection after each boiler inspection);
- data and information were never captured and maintained in the format necessary to report the outcome measure;
- the objectives and outcome measures developed by the department are new; and
- appropriate, relevant data and information may be difficult to capture for a program.

Despite these limitations, this report reflects the commitment of agency leadership and staff to identifying relevant goals, objectives, and outcome measures that set a clear path to improving customer service and fulfillment of the department's mission.

WAYS TO IMPROVE PROGRAM OUTCOMES

With the development of appropriate, measurable program goals, objectives, and measures contained in this report, the department has begun the process of improving program outcomes. The following actions will be necessary to either establish current performance or improve program outcomes.

Internet

- Effective use of the Internet will improve performance by making department information more widely available and accessible. More importantly, the Internet offers the department a vehicle to more effectively capture data and information from insurers, employers, rehabilitation providers and any other entity required to submit forms or data to the agency.

Workers' Compensation Division

- Completion of the \$10.3 million imaging and data management project that is redesigning business processes in the Workers' Compensation Division will provide more effective, efficient, and responsive service to agency customers. Among the improvements will be a redesigned, more complete workers' compensation database, development of a vocational rehabilitation unit management system, implementation of a judicial services case scheduling system, a comprehensive benefit monitoring system, and redesign of business processes in the Special Compensation Fund.

Workplace Services Division

- Clarify or repeal Minnesota Statutes 184A which regulates certain types of entertainment agencies. The law covers very few entertainment agencies and the enforcement mechanism relies on county attorneys prosecuting violators in district court. The law can be improved by clarifying the definition of covered entertainment agencies and providing the department with authority to assess an administrative penalty against unlicensed entertainment agencies. Another alternative is to have the legislature repeal the law.

- Provide greater flexibility to the department for setting the frequency of boiler inspections. The current law requiring boilers to be inspected annually arose out of the 19th Century when boiler explosions were a frequent occurrence with deadly results. Inspections of boilers and pressure vessels are important. Yet, a more effective boiler and pressure vessel monitoring system, being implemented by the department during F.Y. 1998, will provide the agency with qualitative performance information on every inspected boiler in the state.

Employees throughout the department helped develop and produce the department's 1996 Agency Performance Report. Work teams comprised of some or all of a program/budget activity's personnel participated in the development of each unit's mission and the goals, objectives, and measures presented in this report. Agency personnel developed an understanding that most of the outcome information presented in this report reflects the performance of the regulated parties (e.g., employers, boiler owners, insurers, vocational rehabilitation providers) rather than department employee performance.

Date : December 2, 1996

Agency Expenditure Summary

F.Y. 1996

NAME	(in thousands \$)	% of \$	FTE	% of FT
AGENCY: LABOR AND INDUSTRY DEPT	\$110,655	100.0%	432	100.0%
PROGRAM: WORKERS' COMPENSATION DIVISION	\$94,706	85.6%	213	49.4%
BACT: WC INFORMATION PROCESSING CTR	\$1,526	1.4%	38	8.8%
BACT: WC COMPLIANCE SERVICES	\$809	0.7%	16	3.7%
BACT: WC CUSTOMER ASSISTANCE	\$1,788	1.6%	33	7.6%
BACT: WC JUDICIAL SERVICES	\$1,838	1.7%	37	8.6%
BACT: WC VOCATIONAL REHABILITATION	\$1,636	1.5%	29	6.7%
BACT: WC SPECIAL COMPENSATION FUND	\$83,888	75.8%	34	7.8%
BACT: OCCUPATIONAL SAFETY & HEALTH	\$6,725	6.1%	95	21.9%
BACT: CODE ADMIN & INSPECTION SVS	\$1,388	1.3%	24	5.6%
BACT: LABOR STANDARDS	\$530	0.5%	10	2.4%
BACT: APPRENTICESHIP PROGRAMS	\$671	0.6%	10	2.4%
MACT: INVESTIGATIVE SERVICES	\$524	0.5%	11	2.5%

Agency : LABOR AND INDUSTRY DEPT

Program : WORKERS' COMPENSATION DIVISION

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$94,706	85.59%
From Special Revenue Funds	\$94,606	
General	\$100	
Number of FTE Staff:	213	49.40%

GOAL :

- To efficiently and equitably administer the statutorily guaranteed benefits to injured workers; ensure employers have workers' compensation insurance coverage; and ensure the effective delivery of medical and rehabilitation services. (M.S. 176)

DESCRIPTION OF SERVICES :

The mission of workers' compensation is to minimize the impact of work-related injuries and disease on employers and employees. The workers' compensation division exists to provide a fast, responsive and easy-to-use workers' compensation system that minimizes waste and reduces and resolves disputes with fair and predictable results. It also provides administration of the state's workers' compensation system where benefits to injured workers are delivered by the private-sector. Business activities within the division are information processing center, compliance services, customer assistance, judicial services, vocational rehabilitation, and special compensation fund.

Over the last three years, the workers' compensation division has reengineered many of its business processes and reorganized its operating units to improve customer service. The most dramatic change occurred with the installation of new computer technology that creates electronic images of workers' compensation paper documents. Three new operating units arose from the division's reorganization, including:

- The Information Processing Center which creates, maintains, and manages availability to over 1.2 million workers' compensation files.

- The Customer Assistance unit which provides fair, accurate, neutral, and timely assistance to employees, employers, and other external customers about Minnesota's workers' compensation law and administrative rules. Information is dispensed through a workers' compensation hotline and through walk-in assistance. This unit attempts to prevent and resolve disputes by providing early intervention and alternative dispute resolution

services in the form of mediations, administrative conferences, and non-conference decisions.

- The Compliance Services unit ensures that insurers and self-insurers pay workers' compensation benefits promptly and accurately to injured workers. Education of employers and insurers about their responsibilities under Minnesota's workers' compensation law became a new, important strategy for achieving compliance. This new educational component for achieving compliance compliments the ongoing auditing and penalty assessment approach the division has historically used.

The workers' compensation division's three remaining operating units are in the process of redesigning their business processes to improve customer service.

- The Judicial Services unit provides pre-litigation alternative dispute resolution services designed to achieve efficient, final resolution to disputes. Strategies employed by this unit center on the use of a workers' compensation judge to facilitate negotiation of mutually agreeable solutions between the parties or issuance of an order by the judge following an informal administrative conference. Disputes which cannot be resolved at this final stage of the department's efforts are forwarded to the Office of Administrative Hearings for formal hearings.

- The Vocational Rehabilitation unit provides vocational rehabilitation services to injured workers, in most cases, whose liability for the injury has been denied by an insurer. Qualified rehabilitation consultants assist the injured workers to return to appropriate employment as soon as possible. Services are available throughout the state and provided from eight different offices.

- The Special Compensation Fund is responsible for collecting the special compensation fund assessment on insurers and self-insurers that pays for administration of the state's workers' compensation system; verifying and enforcing employers' obligation to have workers' compensation insurance coverage; reimbursing insurers and self-insurers for Second Injury and Supplementary Benefits' costs; administration of workers' compensation claims for uninsured employers and some bankrupt self-insurers, and monitoring workers' compensation medical and rehabilitation service providers.

More detailed descriptions of program services are presented in the individual operating units' sections of the agency performance report. Measurement data and information for many of the program's objectives and outcome measures are unavailable for this report because of: (1) the division's reorganization, which affected nearly every internal report; (2) data has never been collected in the format necessary to report outcome measures; (3) the objective and measure are new; and/or (4) the division's workers' compensation database is being upgraded and new or revised management information reports are awaiting completion of this upgrade. The goals, objectives, and outcome measures presented in this report are guiding the division's development of future management information reports for each operating unit and the division.

BACKGROUND INFORMATION :

**MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC),
OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)**

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR

Type	Based	Measure	1994-95	1995-96
	FY	Detailed Background Information is in Individual Operating Unit's Section		

PROGRAM DRIVERS :

Legislative Reforms. Legislative amendments over the past 20 years have dramatically changed Minnesota's workers' compensation system. The department has grown in size and responsibility with each change. Among the more important legislative actions have been:

1. The establishment of supplementary benefits in 1971 to be paid out of a special fund. Minimum weekly benefits for workers totally disabled more than two years were increased to \$60 and subsequently raised to 65 percent of the statewide average weekly wage (SAWW) by 1981.
2. Indexing of maximum weekly benefit amounts to the statewide average weekly wage in 1977.
3. Revamping the provision of rehabilitation by moving responsibility from the state's Division of Vocational Rehabilitation to a system of independent private rehabilitation providers. The intent was to place less emphasis on retraining and more emphasis on return to work. Seriously injured workers were required to be evaluated for the need of rehabilitation.
4. Deregulation of workers' compensation insurance rates in 1981 to promote price competition among private insurance carriers.
5. Comprehensive revisions to the state's workers' compensation law in 1983 aimed at reducing system costs by encouraging a worker's early return to work. Among some of the changes enacted were: prohibiting the payment of temporary total benefits and permanent partial benefits concurrently; ending payment of temporary total benefits 90 days after the injured worker achieves "maximum medical improvement" or completes an approved training program; replacing a single system of paying permanent partial benefits with a two-tiered system that provided different payments based on whether the employer offered a suitable job; involving Qualified Rehabilitation Consultants (QRC) early in an employee's recovery.
6. Administrative reforms enacted in 1987 which imposed higher penalties on uninsured employers, eliminated the "triple-track" dispute resolution process to achieve early settlement of disagreements, revised procedures for discontinuing benefits, and provided compensation judges authority to decide cases without a hearing if the parties stipulated the facts and the legal issues.
7. Revisions in 1992 that: established a fraud unit within the department; capped attorneys fees; raised the maximum weekly benefit amount to 110 percent of SAWW; limited the duration of temporary partial disability payments; established a health care fee schedule; and required health care be provided through managed care organizations and according to treatment standards that eliminate excessive, unnecessary, and inappropriate treatments.
8. Revisions in 1995 that: eliminated the two-tiered permanent partial benefit system; set the maximum and minimum weekly benefit dollar amounts in law; repealed supplementary benefits; created an impairment

threshold for qualification to receive permanent total disability benefits; limited attorneys' fees; encouraged the department to resolve disputes; and increased penalties.

Litigation. Untested areas of ambiguity within the workers' compensation statutes and rules cause litigation if they cannot be resolved through other means. For example: insurers, health care providers, or rehabilitation providers may choose to provide or pay for services in accordance with their interpretation of the law. The consequence can be hundreds or thousands of identical disputes. None of the disputes can be resolved until the law is clarified via litigation.

Complexity of workers' compensation system. It is generally agreed that Minnesota's workers' compensation system is, and has been, one of the more complex systems in the nation. There are a vast number of forms that must be filed by insurers and other entities within the system. Injured workers and employers want prompt responses to their inquiries about the status of claims or problems they are encountering. Attorneys are used to litigate issues in a system which was originally established to be a no-fault method of compensating workers injured on the job. The need for effective, efficient administration of the workers' compensation system has created opportunities to utilize technology to better serve the program's various customers.

Uninsured employers. People employed by uninsured employers who are injured on the job receive their workers' compensation benefits through the department's Special Compensation Fund. The Fund is financed through assessments on self-insured employers and insurers who pass the cost on to policyholders. Uninsured employers tend to be in the construction and trucking industries, have less than ten employees, are marginal enterprises, and are generally unaware of their legal requirement to have coverage. There are, however, other employers who deliberately avoid providing workers' compensation coverage. In short, the costs of providing benefits to workers of uninsured employers are covered by employers who comply with the law.

Cumulative trauma disorders (CTD). Cumulative trauma disorders are associated with a person's musculoskeletal system. Terms used to describe CTDs are repetitive motion syndrome and repetitive strain injury. A common form is Carpal Tunnel Syndrome. CTDs arise from ordinary movements that may include repetitive gripping, twisting, and reaching done in chronic repetition in a forceful and awkward manner without rest or sufficient recovery time.

Workplace safety. Every employer's workers' compensation costs are directly tied to the safety of the workplace and that of employers within the same industry. Individual employer's workers' compensation costs will go up if they or their industry sustain more injuries. Costs can go up if the injuries are more severe and require longer durations of lost work.

Industry mix. Minnesota's mix of industry is diversified to the extent that no single industry has an overwhelming impact on the costs of the workers' compensation system. Service industries such as insurance and financial institutions have low experience (i.e., few workplace injuries) while other sectors of the economy (i.e., construction, trucking, mining) have greater experience ratings.

Goal 1 : To efficiently and equitably administer the statutorily guaranteed benefits to injured workers; ensure employers have workers' compensation insurance coverage; and ensure the effective delivery of medical and rehabilitation services.

Objective 1 : To maintain a positive balance in the special compensation fund through F.Y. 1999.

Measure 1 : The annual fund balance in the Special Compensation Fund.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Annual Fund Balance (\$000)						
Actual	\$-15,215	\$-3,699	\$16,560	\$25,584e		

DEFINITION :

Minnesota's Special Compensation Fund was established to pay supplementary benefits, second injury claims, bankrupt self-insurers' costs, uninsured claims, and administration of the workers' compensation system. The Special Compensation Fund balance is the total annual revenue minus total annual expenditures.

Revenue is defined as the total money received from assessments, penalties, investment income, recoveries, and OSHA penalties. Assessments are amounts paid to the Special Compensation Fund by insurers based on the indemnity benefits paid. Penalty money is generated by the department's various workers' compensation compliance activities and deposited into the Assigned Risk Safety Account. Investment income is interest income. Recoveries represent money paid by uninsured employers for benefits paid on claims filed by their uninsured employees. OSHA penalty income is money paid by employers for OSHA violations.

Expenditures are payments made from the Special Compensation Fund for specific programs and include: Supplementary Benefit Reimbursement; Second Injury Fund Reimbursement; and special claims. State administration costs (e.g., DLI, OAH, WCCA) are also included.

RATIONALE :

Measuring the annual fund balance demonstrates whether the department is meeting its financial obligations under State law. Using this measure allows the department, employers, labor, insurers, and other stakeholders to monitor the agency's ability to manage this important financial responsibility. A positive fund balance assures that financial assessments employers must pay through their insurance premiums will be as low as possible.

DATA SOURCE :

Detailed data on Special Compensation Fund annual revenue and expenditures is maintained by the department and presented in an annual summary financial statement.

DISCUSSION OF PAST PERFORMANCE :

The Special Compensation Fund deficit was over \$49 million in 1990. The department executed a deficit elimination program which resulted in the first annual positive balance being posted in F.Y. 1996.

PLAN TO ACHIEVE TARGETS :

The assessment rate, assessed against insurers' paid indemnity benefits, will need to fluctuate to reflect Special Compensation Fund obligations. The department monitors revenues and expenditures closely to assure the proper assessment rate is set.

OTHER FACTORS AFFECTING PERFORMANCE :

A decline in the indemnity benefits paid by insurers would reduce the total amount of money collected through the Special Compensation Fund assessment.

An increase in second injury fund and supplementary benefit reimbursement request amounts or uninsured workers' compensation claims could force the department to delay payment of some reimbursement requests until funds are available.

Agency : LABOR AND INDUSTRY DEPT
Program : WORKERS' COMPENSATION DIVISION
BACT : WC INFORMATION PROCESSING CTR

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$1,526	1.38%
From Special Revenue Funds	\$1,526	
Number of FTE Staff:	38	8.78%

GOALS :

- To provide timely workers' compensation information to customers. (M.S. 175.17 and M.S. 176)
- To provide accurate workers' compensation information to customers. (M.S. 175.17 and M.S. 176)

DESCRIPTION OF SERVICES :

The Information Processing Center (IPC) was created in September 1994. The department's Data Processing, Copy Center and Mail Room units were combined with the Workers' Compensation Records unit to form the new Information Processing Center. Subsequently, a new Image Processing unit was created within IPC to support the capture and storage of images and data for the Workers' Compensation Division (WCD).

One of the foundations of an efficient and effective workers' compensation system is providing information to participants in a timely and accurate manner. This is the mission of the Information Processing Center.

IPC receives all of the workers' compensation claim information mail; prepares, codes, and scans the documents into the computer to create imaged files; enters workers' compensation data into the department data base; handles all requests for employment posters; mails employee rights booklets to injured workers'; creates and manages all of the paper claim files, maintaining them for 18 years after file activity ceases; and provides copies of claim files to authorized clientele in accordance with the data privacy laws. Customers include: all DLI staff, injured workers, employers, insurers and self-insurers, claims administrators, attorneys, health care providers, rehabilitation service providers, the Office of Administrative Hearings, the Workers' Compensation Court of Appeals and the state Supreme Court.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIUM YEARS (BY)

Type	Based	Measure	1994-95	1995-96
		Workers' Compensation Records Management		
A	FY	Imaged WC Records (cumulative)	14,215	77,183
A	FY	Imaged Workers' Compensation Files Created	14,215	62,968
A	FY	Documents Scanned into Images	42,339	293,303
A	FY	Open Paper WC Records On-Site	121,832	108,548
A	FY	Closed Paper WC Records On-Site	331,657	223,748
A	FY	Closed Paper WC Records Off-Site	364,529	557,748
A	FY	Microfilmed WC Records On-Site	298,569	339,533
A	CY	Paper WC Records Closed	N/A	96,737
A	CY	Paper WC Records Re-Opened	N/A	11,455
E	FY	Missing File Rate	.01	.01
		Copy/File Review		
	FY	Copy Requests	10,800e	9,960e
O	FY	Copies Made (pages)	N/A	195,745
OD	FY	Copy Revenue	\$139,682	\$155,000e
A	FY	File Review Requests	N/A	2,248
A	FY	Reviewed Files	N/A	1,539
		Workers' Compensation Data Entry		
A	FY	WC Forms Data Entered	268,286	245,130
A	FY	First Reports of Injury Forms Data Entered (EDI)	3,247	5,688
A	FY	Poster Requests Fulfilled	5,472	5482

PROGRAM DRIVERS :

Frequently, incomplete or incorrect data is provided by our customers, i.e., insurers, employers, attorneys, health care providers, etc. This results in a great deal of IPC staff time being expended to ascertain the correct information. Also, IPC staff make hundreds of phone calls each month to obtain a copy of the First Report of Injury when one has not been filed.

Computer technology will continue to impact the work of the Information Processing Center, i.e., digital image, fax, optical character recognition, e-mail, microfilm, moving from Mapper C to Informix database, etc.

Legislative changes and workers' compensation amendments influence the operations of the information processing center. They can impact the volume of documents that must be processed, data that must be entered into the computer, and information that must be verified.

Goal 1 : To provide timely workers' compensation information to customers.

Objective 1 : To achieve 90% 48-hour customer availability of imaged workers' compensation documents by 1998.

Measure 1 : Percentage of imaged workers' compensation documents available within 48-hours of receipt.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Image Availability Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					90%	90%
Documents Imaged						
Actual	N/A	N/A	42,339	293,303		

DEFINITION :

The department manages over 1.2 million workers' compensation files. Nearly all of these records are stored in paper files or on microfilm. With the installation of the department's new imaging technology, workers' compensation records for work injuries and illness occurring on and after March 1, 1995 are stored as optical images. This measure gauges how quickly those images are made available to customer assistance personnel and other entities within the workers' compensation system. Workers' compensation documents are the individual documents filed with the department for inclusion in the overall claim record. This measure is restricted to those workers' compensation documents that arrive in the IPC's daily mail and excludes those documents sent to the IPC for follow-up scanning. The measure is computed, for the reporting period, as follows: total number of workers' compensation documents scanned and coded within 48-hours of receipt divided by total number of workers' compensation documents scanned and coded and then multiply the result by 100.

RATIONALE :

The department is responsible for providing information and assistance to claimants on their workers' compensation claim. Agency personnel require timely access to accurate information to provide effective customer service and assistance. This measure is an indicator of how quickly optical images are created from paper documents filed with the department. The measure also allows the department to monitor the effectiveness of the IPC process for creating workers' compensation images. It effectively measures the efficiency of the following steps: 1) date stamped in mail room; 2) sorting; 3) research and edit; 4) document preparation for scanning; 5) scanning into image; 6) form identification; and 7) association to claim record.

DATA SOURCE :

Data for this measure comes directly from the system report titled "Days to Availability Report."

DISCUSSION OF PAST PERFORMANCE :

The department is making progress toward achieving 90% 48-hour availability of imaged workers' compensation documents. Improvement has been steady since the start of this process in March 1995. The first full year with accurate measurements will be F.Y. 1997.

PLAN TO ACHIEVE TARGETS :

The systems are in place to achieve the objective. Agency managers, supervisors, and staff closely monitor and manage the process used to create workers' compensation images. Cooperation with the department's information technology services unit ensures the computer system is consistently available. The department intends to identify insurers and attorneys that consistently file incomplete documents and provide them consultation assistance.

OTHER FACTORS AFFECTING PERFORMANCE :

An important factor affecting performance is the availability of the computer system that allows IPC to create the imaged workers' compensation records. The system is taken periodically off-line for maintenance and installation of enhancements and new software applications. More important are the unscheduled disruptions to computer availability.

The staffing level is an important factor affecting performance. This is a staff-intensive work process. The department uses several approaches to prevent backlogs from developing in this process. One approach is cross-training staff to perform several job functions in IPC. Managers prioritize tasks and assign staff where they are most needed.

Postal Service holidays are another factor affecting performance. Mail delivered the day after a holiday typically equals two days of mail. The volume of mail received on a single day by the department can upset the performance objective for several days as the department works its way through the "extra" mail.

Incomplete or inaccurate information on forms and workers' compensation documents filed by claimants, attorneys, insurers, health care providers, and qualified rehabilitation consultants may affect performance. IPC staff make hundreds of calls a month to obtain or verify information necessary for creating an imaged workers' compensation document.

Goal 2 : To provide accurate workers' compensation information to customers.
Objective 1 : To achieve ____ percent accuracy of imaged claim records by F.Y. _____. (Under Development)

Measure 1 : Percentage of computerized images associated with the correct workers' compensation claim.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Document Accuracy Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Documents Imaged						
Actual	N/A	N/A	42,339	93,303		

DEFINITION :

The department must associate workers' compensation document images and data with their corresponding workers' compensation claim file/record. These documents and data must be associated with the correct claim file/record so the agency can effectively monitor the claim, provide assistance on the claim, and avoid unintentional problems with insurers and claimants. This measure is currently under development.

RATIONALE :

The key to effectively retrieving a complete imaged workers' compensation claim record is to have the document images linked (i.e., associated) to the correct claim as identified through the "date of injury" and claimant's Social Security Number (SSN). Failure to associate documents and data to the proper claim can cause problems when monitoring insurer/employer compliance, providing customer assistance and resolving disputes. This measure allows the department to monitor the accuracy of imaged workers' compensation records.

DATA SOURCE :

The department's System Administration Report for the imaging system provides data for this objective and measure.

DISCUSSION OF PAST PERFORMANCE :

The department has been creating images of workers' compensation documents since March 1995. F.Y. 1996 was the first full year in which the department was performing this function. The department is refining its processes to assure claim record accuracy.

PLAN TO ACHIEVE TARGETS :

The department's plan is to continue monitoring this aspect of the imaging process to eliminate problems and barriers that interfere with properly associating a workers' compensation document and data to the correct workers' compensation claim.

OTHER FACTORS AFFECTING PERFORMANCE :

The workers' compensation documents submitted to the department affect performance. Documents that clearly indicate the correct injury date and Social Security Number can be easily associated with the proper workers' compensation claim. Illegible documents make identification of the correct injury date and SSN very difficult and may result in the wrong association.

Incomplete or conflicting information on workers' compensation documents may result in an incorrect association between a document and claim.

Multiple dates of injuries for the same worker (as identified by the SSN) can make associating workers' compensation documents to the correct workers' compensation claim record (as identified by "date of injury") extremely difficult.

Agency : LABOR AND INDUSTRY DEPT
 Program : WORKERS' COMPENSATION DIVISION
 BACT : WC COMPLIANCE SERVICES

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$809	0.73%
From Special Revenue Funds	\$809	
Number of FTE Staff:	16	3.71%

GOALS :

- To ensure prompt, timely compliance with employers' and insurers' responsibilities under the workers' compensation law. (M.S. 176.231, 176.245, 176.251)
- To assure the accuracy and completeness of workers' compensation claims filed with the department. (M.S. 176.231, 176.251)

DESCRIPTION OF SERVICES :

Compliance Services was formed in September, 1995, out of the former Assistance and Compliance unit which existed for decades within the workers' compensation system. As a component of the department's regulatory function, this unit monitors workers' compensation claims to determine whether employers and insurers are fulfilling their responsibilities under the law, and takes various measures to obtain their compliance.

Benefit monitoring is accomplished through a combination of computer and manual auditing of each workers' compensation claim in which three or more days of work have been lost due to an injury. The audit determines whether required forms have been filed with the department accurately and timely, and whether monetary workers' compensation benefits have been paid correctly and according to deadlines set by statute or rule. Underpayments or overpayments of benefits are brought to the attention of insurers and self-insured employers for correction.

When Compliance Services finds a violation of reporting or payment requirements, a penalty is assessed against the employer or insurer, with payment going to the injured worker, the Special Compensation Fund, or the Assigned Risk Account (which resides within the Special Compensation Fund). If necessary, compliance officers defend penalty assessments at the department's Judicial Services unit, and the department's legal staff defend the unit's penalty assessments at the Office of Administrative Hearings.

On September 20, 1995, this unit, which includes both regulation and education as its charge, was put in place. Although the unit continues its regulatory function, it also created a formal training team in 1996, is charged with educating employers and insurers about their responsibilities when new forms or programs are to be created, or when chronic problems in injury reporting or claims handling are found through auditing activities. This educational program is expected to significantly decrease instances of noncompliance when the cause is a lack of knowledge within these customer groups. The design and implementation of an automated benefit monitoring (ABM) system, now in its planning stages, is expected to release compliance officers from repetitive auditing tasks to work in the penalty and education components of the program. The system will also increase the consistency of the audits, allow for better monitoring of penalties, and provide more complete data so the unit can measure its success in improving employer/insurer compliance. The strengthening of this regulatory function is expected to reduce benefit disputes within the workers' compensation system.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNium YEARS (BY)

Type	Based	Measure	1994-95	1995-96
A	FY	Total claims	70,962	: 65,172
A	FY	Claims denied	12,158	11,414
A	FY	Claims closed	87,078	80,143
A	FY	Claims audited	N/A	24,900
A	FY	Late First Reports of Injury	2,896	2,545
A	FY	Late First Report penalties	938	620
OD	FY	Late First Report penalty amounts assessed	\$85,600	\$68,100
A	FY	Late first payments	2,361	1,904
A	FY	Late first payment penalties	2,361	1,904
OD	FY	Late first payment penalty amounts assessed	\$695,178	\$689,362
A	FY	Miscellaneous penalties assessed	60	50
OD	FY	Miscellaneous penalty amounts assessed	\$78,910	\$16,855
A	FY	Underpayments found on audit	488	343
OD	FY	Amount of underpayments to employees	\$703,950	\$565,379
OD	FY	Amount of underpayments to Special Compensation Fund	\$203,213	\$156,113

PROGRAM DRIVERS :

Claim management practices. Insurers, self-insurers, and third party administrators use various claims management strategies to fulfill their statutory obligations. The technology and staff workload deployed to achieve their obligation directly impacts the department's regulatory responsibility.

Economic strength of insurance companies, self-insured employers, and third party administrators. When a company's economic position is weak, payments to injured workers, health care providers, and other vendors to the system are delayed, resulting in increased penalties and disputes.

Minnesota's unemployment rate. Experience has shown that workers who become jobless tend to revive old workers' compensation claims, leading to the re-opening of files that have been closed and increasing the need to monitor these files.

Employer safety rates. The number of workers' compensation claims rise and fall with the safety of Minnesota's workplaces. The improvement of employer safety records reduces the incidence of work injuries that need monitoring by the department.

Statutory changes. Any statutory changes which alter benefits or payment timelines to injured workers, or which require additional reporting from the department, will require Compliance Services to inform customers of the upcoming changes or to create the required reports. Incomplete communication to customers will result in insurers and self-insured employers violating the law and incurring penalties.

- Goal 1** : To ensure prompt, timely compliance with employers' and insurers' responsibilities under the workers' compensation law.
- Objective 1** : To achieve ___ percent insurer/self-insurer compliance with timely first payments of benefits by F.Y. 1999.
- Measure 1** :

Percentage of total indemnity benefits paid within 14-days of the first report of injury.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Prompt Payment Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%

DEFINITION :

Minnesota law requires the first payment of workers' compensation indemnity benefits be made within 14 days from the first day of lost time at work or the notice to the employer, whichever occurs later. The prompt payment rate is computed for the reporting period as follows: divide the total number of payments to claimants paid within 14 days by the total number of lost time first reports of injury and then multiply by 100.

RATIONALE :

The prompt payment rate demonstrates whether insurers and self-insured employers are meeting their statutory responsibility to promptly pay workers' compensation benefits to employees with lost-time injuries. This is one of the most accurate measurements of the efficiency of the system because any delay in the first payment of benefits significantly increases the overall cost of the claim. This measure allows the department to monitor individual insurers' and self-insured employers' compliance with the law and determine the best candidates for agency assistance to improve performance.

DATA SOURCE :

The department compiles data on first reports of injury and claim-related data submitted by insurers and self-insured employers. A computer system is being developed in order to collect accurate data related to this measurement and report it as mandated by the legislature in an annual Prompt Payment Report. The first report will be published October in 1997.

DISCUSSION OF PAST PERFORMANCE :

The total annual number of lost-time claims is unavailable due to inaccurate data caused by filings of no-lost-time injuries; therefore, the past performance of insurers and self-insured employers in their promptness of first payments on lost-time claims cannot be determined. The Prompt Payment Report will, over time, create this historical view.

PLAN TO ACHIEVE TARGETS :

The department intends to help insurers and self-insured employers improve their timely payment of first payments through the following plan:

- 1) develop an automated benefit monitoring system (which includes the Prompt Payment Report system) to accurately measure performance for this measure;
- 2) continue assessing penalties against insurers and self-insured employers for late first payment of wage-loss benefits on individual claims;
- 3) identify insurers and self-insured employers having problems complying with their statutory filing period for first payments and provide consultation to help improve their performance; and
- 4) conduct educational training sessions for insurers and self-insured employers throughout the state to educate them about their obligations and responsibilities under Minnesota's workers' compensation laws.

OTHER FACTORS AFFECTING PERFORMANCE :

The primary reasons insurers and self-insurers fail to pay wage loss benefits within the required 14 days are late receipt of the FROI from the employer, an inability to obtain necessary medical reports upon which to accept or deny the claim, and their own internal claim management practices and processes.

Goal 1 : To ensure prompt, timely compliance with employers' and insurers' responsibilities under the workers' compensation law.

Objective 2 : To achieve ___ percent insurer/self-insurer compliance with timely filing of denials of liability by F.Y. 1999.

Measure 1 : Percentage of total denials of workers' compensation liability filed within 14 days of the first report of injury.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Timely claim denial rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%

DEFINITION :

Minnesota law requires insurers to accept or deny primary liability on a lost-time claim by the 14th day after the first day of lost time or of the notice to the employer, whichever occurs later. The timely denial rate is computed for the reporting period as follows: divide the total number of lost-time denials filed within the 14-day statutory deadline by the total number of lost-time denials and then multiply by 100.

RATIONALE :

The timely denial rate demonstrates whether insurers and self-insured employers are meeting their statutory responsibility to promptly deny primary liability for workers' compensation benefits. A prompt denial allows the claimant to quickly petition the department for a conference or hearing regarding the decision so that insurers and self-insurers who are ultimately found responsible for the claim may manage the claim while it is still young. This measure also allows the department to monitor individual insurers' and self-insureds' compliance with this law to determine the best candidates for agency assistance to improve performance.

DATA SOURCE :

The department compiles data on first report of injury and claim-related data submitted by insurers and self-insured employers. A computer system is being developed to collect accurate data related to this measurement.

DISCUSSION OF PAST PERFORMANCE :

The total annual number of lost-time claims is unavailable due to inaccurate data caused by filings of no-lost-time injuries. Therefore, the past performance of insurers and self-insured employers cannot be determined.

PLAN TO ACHIEVE TARGETS :

The department intends to help insurers and self-insured employers improve their timeliness rate for the denial of primary liability of claims through the following plan:

- 1) develop an automated benefit monitoring system to accurately measure performance for this measure;
- 2) continue assessing penalties against insurers and self-insured employers for late denial of individual lost-time claims;
- 3) identify insurers and self-insured employers having problems complying with their statutory filing period for denials and provide consultation to help improve their performance; and
- 4) conduct educational training sessions for insurers and self-insured employers throughout the state to educate them about their obligations and responsibilities under Minnesota's workers' compensation laws.

OTHER FACTORS AFFECTING PERFORMANCE :

The primary reasons insurers and self-insurers fail to deny claims within the required 14 days are late receipt of the FROI from the employer, an inability to obtain necessary medical reports upon which to accept or deny the claim, and their own internal claim management practices and processes.

Goal 2 : To assure the accuracy and completeness of workers' compensation claims filed with the department.

Objective 1 : To achieve ___% accurate completion of workers' compensation claim forms by F.Y. ____.

Measure 1 : Percentage of Notifications of Primary Liability Determination (NOPLD) forms filed with the Department which are completed accurately.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Claim Accuracy Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%

DEFINITION :

Minnesota law requires the department to monitor the timely determination by the insurer/self-insured employer of its liability to pay wage loss benefits. To do so, information regarding the payer's decision to accept or deny benefits must be submitted promptly and accurately on forms promulgated by the department. The Notification of Primary Liability Determination form is used to submit this information to the department. This measure is computed for the reporting period as follows: divide the total number of accurately-completed NOPLD forms by the total number of NOPLD forms filed and then multiply by 100.

RATIONALE :

The data submitted on the NOPLD form is necessary to achieve an accurate data base upon which to measure the performance of insurers and self-insured employers in the timely acceptance (and first payment) or denial of claims. This measure allows the department to monitor the extent to which insurers and self-insured employers are accurately paying benefits.

DATA SOURCE :

The department compiles data on first report of injury and claim-related data submitted by insurers and self-insured employers. The automated benefit monitoring system, currently in development, will collect accurate data related to this measurement and report it in a legislature-mandated annual Prompt Payment Report. The first report will be published October in 1997.

DISCUSSION OF PAST PERFORMANCE :

The NOPLD is a newly-constructed form first used July 1, 1996; therefore, no data has been captured historically regarding performance.

PLAN TO ACHIEVE TARGETS :

The department intends to create baseline measures and help insurers and self-insured employers improve their accuracy of form completion of the NOPLD through this plan:

- 1) develop an automated benefit monitoring system to accurately measure performance for this measure;
- 2) change the NOPLD form as necessary based upon feedback from insurers and self-insured employers to make the form clearer;
- 3) identify insurers and self-insured employers having problems completing the NOPLD accurately and provide consultation to help improve their performance; and
- 4) conduct educational training sessions for insurers and self-insured employers throughout the state to educate them about their obligations and responsibilities under Minnesota's workers' compensation laws.

OTHER FACTORS AFFECTING PERFORMANCE :

Insurers' and self-insured employers' claim management systems, practices, and processes are important factors affecting performance.

Agency : LABOR AND INDUSTRY DEPT
 Program : WORKERS' COMPENSATION DIVISION
 BACT : WC CUSTOMER ASSISTANCE

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$1,788	1.62%
From Special Revenue Funds	\$1,788	
Number of FTE Staff:	33	7.65%

GOALS :

- To be responsive to stakeholder inquiries regarding rights and responsibilities under Minnesota workers' compensation law. (M.S. 176.261)
- To prevent formal disputes from being filed with the Department of Labor and Industry. (M.S. 176.261)
- To resolve disagreements and disputes by using alternative dispute resolution methods that avoid litigation. (M.S. 176.261; M.S. 176.521; M.S. 176.102; M.S. 176.106; M.S. 176.103; M.S. 176.135; M.S. 176.136; M.S. 176.231; M.S. 176.221; M.S. 176.361; M.S. 176.271)

DESCRIPTION OF SERVICES :

The Customer Assistance (CA) unit provides fast, fair and easy access to information about the workers' compensation law and intervenes to prevent costly and slow decisions about injured workers' benefits. The CA unit provides responses to parties who have inquiries about workers' compensation laws, rules and regulations. In addition, the unit helps people who have disputes arising out of workers' compensation claims regarding medical, rehabilitation, and wage loss benefits.

Workers' compensation specialists use various strategies to resolve problems quickly and fairly before they require costly litigation. Alternative dispute resolution services include walk-in assistance, telephone intervention, mediations, non-conference decisions, and administrative conferences for medical disputes under \$1,500 and all rehabilitation disputes. If parties are not satisfied with the results of Customer Assistance dispute resolution services, they can appeal to Judicial Services or the Office of Administrative Hearings for review. Effective June 1, 1996, all disputes must be "certified," which means that the CA unit must determine that a dispute does indeed exist and must make an attempt to resolve it before attorneys' fees can be paid.

BACKGROUND INFORMATION :

**MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC),
OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)**

**DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR
(FFY), BIENNIUM YEARS (BY)**

Type	Based	Measure	1994-95	1995-96
A	FY	Inquiries Handled (from hotline)	72,330	49,380
A	FY	Walk-ins Received	N/A	1,000e
A	FY	Requests for Assistance Filed	6,403	5,727
A	FY	Disputes Certified	N/A	79
A	FY	Disputes Resolved	N/A	18
A	FY	Administrative Conferences Scheduled	N/A	527
A	FY	Administrative Conference Decisions Issued	N/A	153
A	FY	Non-Conference Decisions Issued	N/A	773
A	FY	Mediations Scheduled	N/A	500
A	FY	Mediation Awards Issued	N/A	672
OD	FY	Disputes Referred to Judicial Services	N/A	N/A

PROGRAM DRIVERS :

Law changes. Each year the legislature may make changes to the workers' compensation system. In some years the changes are more dramatic than in others. Both 1992 and 1995 saw extensive workers' compensation reform. A major change made in 1995, but not effective until June, 1996, was the law requiring certification of disputes by the department.

Dispute filings/litigation. Insurers may decide whether or not they will provide or pay for services in accordance with their interpretation of the law. The consequences can be the filing of very few or hundreds of disputes. Each dispute that is filed on a Request for Assistance form receives some attention in Customer Assistance, to verify that there is indeed a dispute, and to make an attempt to resolve it. Disputes over \$1500 that are unresolved are referred to Judicial Services. Disputes under \$1500 are resolved in Customer Assistance through intervention, administrative conferences, non-conference decisions or mediation.

Workplace safety. If the number of workplace accidents increase, it is likely that the number of disputed claims would increase. Employers' work comp costs are tied to the safety of their workplace, as well as that of employers in the same industry. As costs increase, insurers tend to take a harder look at claims. In addition, the nature of workplace injuries may be changing. Cumulative trauma disorders (e.g., carpal tunnel syndrome) may be on the rise as more workers are involved in work that requires constant, repetitive hand movements, such as gripping, twisting, reaching, flexing, etc.

Managed Care. Certified managed care organizations (MCO) are required to have a dispute resolution system which functions independently of the state system. Injured workers covered by certified managed care plans

must use the certified MCO's dispute resolution process before using department's alternative dispute resolution process. Cases resolved in the certified MCO's process are never seen or reported in the department's processes.

Technology. The department's computer systems provide customer assistance staff immediate on-line access to case files that are electronic images of the original documents effective for claims occurring since March 1, 1995. Telephone systems also require upgrading and system changes to provide claimants quick and easy access to department staff, including automated routing controlled by customers' selections.

Goal 1 : To be responsive to stakeholder inquiries regarding rights and responsibilities under Minnesota workers' compensation law.

Objective 1 : To maintain average telephone queue time to 3.0 minutes or less by F.Y. 1999.

Measure 1 : Average minutes telephone callers to CA "wait" before their call is picked up by CA personnel.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Ave. Wait in Queue (minutes)						
Actual	N/A	N/A	N/A	N/A		
Target					3.0	3.0
Telephone Contacts /Inquiries (000)						
Actual	88	82	72	49		

DEFINITION :

The department provides customer assistance to workers' compensation claimants, insurers, employers, attorneys and other system stakeholders. Access to this resource is important to those stakeholders who attempt to contact agency personnel.

RATIONALE :

The department has a responsibility for providing assistance to workers' compensation claimants. By measuring the percentage of calls going unanswered, the department is able to monitor access to workers' compensation help and assistance.

DATA SOURCE :

This measure is taken from a report generated by the department's telephone system vendor.

DISCUSSION OF PAST PERFORMANCE :

The hold queue time is a recent measure being used by the department to gauge access to customer service. The department reorganized delivery of customer service to workers' compensation claimants by consolidating claimant assistance and dispute resolution services into a dispute prevention and resolution activity. This new activity, Customer Assistance, has been operational since September 20, 1995, and responds to incoming phone calls and walk-ins, in addition to handling administrative conferences, mediations, and non-conference orders. Prior to reorganization, the telephone "hot line" calls included a mixture of calls to the workers' compensation division, as well as to other divisions in the agency. Since October, 1995, the telephone system has been changed to provide the caller push-button access to other units, specific employees, or even to order posters and forms. These changes have reduced the number of direct calls to the CA unit because the technology enables a customer to reach the desired service provider without being transferred. In general, the CA unit correctly receives customer inquiries and the need to transfer or forward calls to other agency units is substantially reduced.

PLAN TO ACHIEVE TARGETS :

The department routinely monitors "hold" time to assure workers' compensation claimants' access to assistance by managing staff availability. A blinking light and a voice message via intercom alerts staff when the "hold queue" is full and people are waiting to be helped. Calls can then be picked up by staff who are not on assigned phone activity at that time.

OTHER FACTORS AFFECTING PERFORMANCE :

The volume of telephone calls coming into the department for customer assistance can affect performance by putting callers into a queue which the callers elect to leave. The system cannot tell callers how long they will have to hold.

The length of inquiries from callers who reach department customer assistance personnel can affect performance by delaying access to other callers wanting to make an inquiry. Since quick calls involving referrals to other parts of the department and requests for forms and posters are being routed via push button features, the calls being answered in Customer Assistance are now generally more lengthy.

The current number of telephone lines hold a limited number of calls in queue (6 maximum). Having more lines available would allow more people to wait, but could potentially increase the amount of 'hold-time.'

Goal 1 : To be responsive to stakeholder inquiries regarding rights and responsibilities under Minnesota workers' compensation law.

Objective 2 : To answer 85 percent of telephone and walk-in inquiries within 2 days of contact by F.Y.1999.

Measure 1 : Percentage of inquiries answered (i.e., question(s) answered) within 2 days of inquiry made.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Prompt Inquiry Response Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					85%	85%
Inquiries for Customer Assistance (000)						
Actual	88	82	72	49		

DEFINITION :

The department responds to over 6,000 inquiries every month as part of its responsibility to employees and employers. Inquiries include telephone calls and walk-in clientele who desire information on their workers' compensation claims. This measure is computed for the reporting period as follows: divide the total number of phone and walk-in inquiries answered within two days of being made by the total number of inquiries phone and walk-in made and then multiply the result by 100.

RATIONALE :

This measure allows the department to monitor agency responsiveness in providing timely answers to workers' compensation claimants, employers, and others.

DATA SOURCE :

No systematic performance data or information is available on the timeliness of agency answers to inquiries. The department is building the capacity to track claimant inquiries as part of its comprehensive dispute prevention and resolution effort.

DISCUSSION OF PAST PERFORMANCE :

The department will be unable to provide an accurate measure of the timeliness of answers being provided to inquiries until the agency develops the ability to electronically track inquiries and responses. The department estimates that approximately 80 percent of inquiries are currently answered within a single day of the inquiry being made.

PLAN TO ACHIEVE TARGETS :

The department must first build a computerized system for tracking claimant inquiries that allows for producing management reports. The department is reviewing alternatives for monitoring agency-claimant interaction on workers' compensation claims that would include reporting this type of measurement.

OTHER FACTORS AFFECTING PERFORMANCE :

The single most important factor affecting performance is the complexity of the inquiry. Many questions handled by department personnel are routine, including information about benefits, the status of a claim, and the status of a dispute. More complex inquiries involving analysis of specific elements of the claim or follow-up inquiries from the department to the insurer may require more time, particularly when dispute resolution is being pursued.

The CA unit is also responding to inquiries formerly routed routinely to the agency's Legal Services office. Some of these calls require research into statutes and rules, or consultation with staff attorneys, before responses can be given.

Access to a workers' compensation paper file can affect performance. If a file is being used elsewhere in the workers' compensation system, then a delay in responding to the inquiry will occur. As more files become imaged, these delays will be reduced or eliminated.

- Goal 2** : To prevent formal disputes from being filed with the Department of Labor and Industry.
- Objective 1** : To annually reduce by 10 percent the number of RFA's filed with the Department of Labor and Industry through F.Y. 1999.
- Measure 1** : Percent annual change in medical and rehabilitation requests for assistance (RFA) filed with the Department.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Change in RFA Filings						
Actual	N/A%	-7.9%	-9.7%	-10.6%		
Target				-10%	-10%	-10%
Requests for Assistance Filed						
Actual	7,697	7,092	6,403	5,727		

DEFINITION :

Problems and disagreements that occur over medical and rehabilitation benefits may be submitted to the department through a formal request for assistance (RFA). The filing of a RFA often signals the inability of a claimant or medical/rehabilitation provider to resolve a problem with an insurer. This measure is computed for the reporting period as follows: subtract the most current year's total filed RFA's from the previous year's total filed RFA's, then divide the result by the previous year's total RFA's, and then multiply that result by 100.

RATIONALE :

The department is emphasizing dispute prevention and early intervention on claims where claimants and medical/rehabilitation providers may have problems or disagreements with insurers. The extent to which this strategy is successful would be reflected in the formal requests for assistance being filed by claimants, health care providers, and rehabilitation consultants. This measure provides a reasonable indicator of agency efforts to intervene early and prevent disputes.

DATA SOURCE :

The department maintains detailed data on medical and rehabilitation requests for assistance in the agency's workers' compensation database. The monthly Administrative Operations Report contains updated counts of these filings for all months within a fiscal year. This system report will be replaced over the next biennium as the department migrates from the MAPPER database to its replacement, Informix.

DISCUSSION OF PAST PERFORMANCE :

The number of medical and rehabilitation requests for assistance are declining for a variety of reasons, including:

- 1) the reorganization of the agency's claimant customer service functions to focus on and emphasize early intervention and dispute prevention;
- 2) legislative changes to attorney compensation for representing claimants in medical and rehabilitation disputes which went from a system based on hourly charges to one based on a percentage of the monetary value of the medical or rehabilitation benefit;
- 3) legislative changes that discourage litigation over lower value medical disputes by directing the commissioner to make administrative decisions for medical disputes with a monetary value of less than \$1,500; and
- 4) a legislative change that encourages claimants to seek agency assistance to resolve a problem before litigating it by requiring the problem or disagreement to be certified as a dispute before attorneys can charge any fees.

PLAN TO ACHIEVE TARGETS :

The department plans to implement the reorganization of its customer assistance functions by emphasizing early intervention and dispute prevention. Agency plans also include continued implementation of the 1992 and 1995 legislative changes which encouraged claimant assistance and alternative dispute resolution.

OTHER FACTORS AFFECTING PERFORMANCE :

Judicial decisions within the workers' compensation system appellate process and the Minnesota Supreme Court can affect the number of requests for assistance filed with the department. A decision clarifying the health care treatment standards/parameters may encourage or retard requests. The same holds true for most health care and rehabilitation disputes adjudicated in the workers' compensation system.

Attorney behavior affects the number of RFA filings. Some attorneys will spend more time than others attempting to get insurer agreement to the claimant's request. Not all attorneys are making contact with the department for assistance in resolving the dispute before filing RFAs.

Goal 3 : To resolve disagreements and disputes by using alternative dispute resolution methods that avoid litigation.

Objective 1 : To achieve ___ percent resolution of reported disputes and disagreements by F.Y. ____.

Measure 1 : Percentage of total reported disputes and disagreements resolved.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Reported Dispute Resolution Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Reported Potential Disputes						
Actual	N/A	N/A	N/A	N/A		

DEFINITION :

The department provides assistance to workers' compensation claimants to understand their claim and resolve differences they may have with insurers. The agency's customer assistance personnel receive thousands of inquiries from claimants and others every year regarding the workers' compensation system. Many of these contacts report problems with their claim. This measure separates the routine information inquiry from those contacts with issues or disagreements with insurers on workers' compensation claims that can mushroom into disputes. These represent potential disputes. This measure gauges the resolution of these potential disputes and actual disputes by the department through provision of customer service and assistance. The measure is computed for the reporting period as follows: divide the total number of potential and actual disputes resolved through customer assistance by the total number attempted resolutions of potential and actual disputes and then multiply the result by 100.

RATIONALE :

The department is emphasizing dispute prevention and early intervention on workers' compensation claims. This measure allows the department, insurers, employers, and labor to monitor the effectiveness of this strategy. Defining what constitutes a potential dispute and the capturing of appropriate data on the resolution of these issues is still under development.

DATA SOURCE :

No data is systematically captured and maintained on potential disputes. There is also no existing database linking potential disputes or issues with their resolution. The department created a prototype claim activity log system that captures some of this information on a case-by-case basis. Some dispute resolution information is available for those disputes formally filed with the department. In the future, this activity's data and information will be incorporated into the overall agency database for workers' compensation which is currently being redesigned.

DISCUSSION OF PAST PERFORMANCE :

No information is available on the agency's past performance in providing early intervention services and dispute prevention and resolution assistance.

PLAN TO ACHIEVE TARGETS :

The department plans to implement the reorganization of its customer assistance functions by emphasizing early intervention and dispute prevention. Agency plans also include continued implementation of the 1992 and 1995 legislative changes which encouraged claimant assistance and alternative dispute resolution. The department is in the process of defining "potential dispute" and what constitutes resolution through early intervention services.

OTHER FACTORS AFFECTING PERFORMANCE :

The full extent of dispute prevention may never be known. Sometimes general inquiries may result in information being provided that is sufficient to avoid or resolve potential disputes. Not all simple or general inquiries are entered department's workers' compensation claim log. In addition, the department is not always aware of the results of its customer interactions. So, accuracy of the data collected in this area may be limited.

Agency : LABOR AND INDUSTRY DEPT
Program : WORKERS' COMPENSATION DIVISION
BACT : WC JUDICIAL SERVICES

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$1,838	1.66%
From Special Revenue Funds	\$1,838	
Number of FTE Staff:	37	8.64%

GOALS :

- To hear and resolve workers' compensation disputes. (M.S. 176.106; M.S. 176.102; M.S. 176.135; M.S. 176.191; M.S. 176.521; M.S. 176.081; M.S. 176.011; M.S. 176.511; M.S. 176.305)
- To hear and resolve workers' compensation disputes efficiently, fairly, and in accordance with the law. (M.S. 176.106; M.S. 176.102; M.S. 176.135; M.S. 176.191; M.S. 176.521; M.S. 176.081; M.S. 176.011; M.S. 176.511; M.S. 176.305)
- To ensure trial readiness of unresolved petitions. (M.S. 176)

DESCRIPTION OF SERVICES :

The Judicial Services unit of the workers' compensation division provides alternative dispute resolution services that result in efficient and final resolution of workers' compensation disputes in accordance with the law. Resolution of disputes occur through a mutually agreeable solution negotiated by the judge, or by order of a judge after informal administrative conferences or small claims court proceedings. Prehearing disputes related to the claim are resolved by order to facilitate final resolution of the claim. Those disputes which cannot be resolved are referred to the Office of Administrative Hearings for formal hearings. Judicial Services approves or disapproves settlement agreements of workers' compensation benefits and services, and orders attorney fees where appropriate. Types of proceedings include:

Administrative Conferences:

1. Expedited Discontinuance Conferences, pursuant to M.S. 176.239, are conducted to determine whether the insurer is allowed to discontinue the payment of wage loss benefits to the employee.

2. Rehabilitation Conferences, pursuant to M.S. 176.106 and M.S. 176.102, are held to determine eligibility for rehabilitation services, the nature of rehabilitation services to be provided, suspension of services, assignment of a rehabilitation provider, and other related issues to facilitate the employee's return to suitable employment. The judicial services unit generally handles these disputes when another dispute is pending in the unit; the customer assistance unit resolves rehabilitation disputes when no other disputed proceedings are pending.

3. Medical Conferences, pursuant to M.S. 176.106 and M.S. 176.135, are conducted to determine eligibility for medical services, the nature of the medical services to be provided, change of health care provider, reasonableness of medical fees charged, duration of services, the relationship between the condition being treated and the work injury, and other legal-medical issues. The judicial services unit resolves medical disputes of \$1,500 or more through medical conferences; the customer assistance unit resolves medical disputes of \$1,500 or less.

Small Claims Court Proceedings:

1. Claims of \$5,000 or less may be resolved through a final small claims court hearing pursuant to M.S. 176.2615. In practice, the parties generally choose not to use this procedure.

2. Medical Claims of \$1500 or less are resolved pursuant to M.S. 176.106, subd. 7 following a hearing to review the issues previously decided by the customer assistance unit. The decision of the judge is final.

Special Term Hearings:

1. Contested Petitions for Temporary Orders, pursuant to M.S. 176.191, are heard and decided to determine whether an insurer must pay benefits to the employee pending a final resolution of the dispute between two or more employers or insurers.

2. Stipulation Hearings, pursuant to M.S. 176.521, allow the judge to obtain additional information prior to approving or disapproving a settlement agreement between the parties. Generally, a settlement agreement is approved or disapproved based on a review of the filed documents. An occasional short hearing is necessary to collect additional information, usually from unrepresented parties or third party payors objecting to the terms of the settlement.

3. Contested Motions regarding pretrial matters such as joinder or dismissal of a party or dismissal of the claim, and discovery issues such as the employee's required attendance for an independent medical or vocational examination or deposition, are heard and decided. A timely resolution of pretrial issues advance cases toward settlement or other final resolution.

4. Employment status determinations, pursuant to Minn. Rules, part 5220.2605, provide an early determination of employee or independent contractor status of the worker. Early resolution of employment status issues promotes settlement or other final resolution of the claim.

Attorney Fee and Cost Hearings:

Contested claims for attorney fees and costs related to a proceeding at the DLI are resolved by negotiated settlements, determinations based on written submissions where a hearing is waived by the parties, or by a hearing pursuant to M.S. 176.081, M.S. 176.011, subd. 7a(3), and M.S. 176.511.

About 60% of the daily proceedings in the judicial services unit are settlement conferences to negotiate an acceptable compromise between the parties to a petition for workers' compensation benefits. The parties generally appear in person before the judge to summarize their case, share information, propose and accomplish settlement, or to narrow the issues remaining for hearing.

Other determinations:

The judicial services unit also reviews and resolves thousands of requests for attorney fees and approval of settlement agreements per year.

BACKGROUND INFORMATION :

**MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC),
OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)**

**DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR
(FFY), BIENNIUM YEARS (BY)**

Type	Based	Measure	1994-95	1995-96
A	FY	Claim Petitions Filed	7,061	6,483
A	FY	Claim Petitions Amended	878	830
A	FY	Contested Benefit Discontinuance Filed	3,512	3,151
A	FY	Medical/Rehabilitation Requests Filed	6,833	5,727
A	FY	Miscellaneous Petitions and Appeals	2,666	1,578
A	FY	Scheduled Proceedings	N/A	N/A
A	FY	Discontinuance Conferences Held	N/A	N/A
A	FY	Medical Conference Held	N/A	N/A
A	FY	Rehabilitation Conference Held	N/A	N/A
A	FY	Settlement Conferences Held	N/A	N/A
A	FY	Small Claims Court Hearings	0	0
A	FY	Small Medical Claims Appealed (medical review)	N/A	80
A	FY	Attorney Fee Orders	1,326	1,067
A	FY	Awards on Stipulation for Settlement	5,346	4,846
A	FY	Disapproval of Stipulation for Settlement	6	2
A	FY	Administrative Decisions	N/A	N/A
A	FY	Orders on Motions	N/A	N/A
A	FY	Medical Review Decisions	0	30
A	FY	Certifications to OAH	5,458	4,960
A	FY	Total Orders Issued	15,548	12,591

PROGRAM DRIVERS :

Litigation. Untested areas of ambiguity within the workers' compensation statutes and rules cause litigation if they cannot be resolved by other means. For example: insurers, health care providers, or rehabilitation providers may choose to provide or pay for services in accordance with their interpretation of the law. The consequence can be hundreds or thousands of disputes involving similar legal issues. The disputes cannot be easily resolved until the law is clarified through litigation resulting in precedent-setting appellate decisions. There is statutory authority to certify legal disputes directly to the Minnesota Supreme Court, however, the parties are rarely able to agree upon the facts of the case to allow the case to proceed to the Supreme Court on the legal issues. The overall incidence of litigation involving workers' compensation cases is declining. Filed disputes declined 11% between F.Y. 1994 and F.Y. 1995, and 12% between F.Y. 1995 and F.Y. 1996.

Complexity of workers' compensation system. It is generally agreed that Minnesota's workers' compensation system is one of the more complex systems in the nation. The statute is periodically changed by the legislature and new administrative rules added, creating the need for further litigation to resolve important legal issues affecting the payment of benefits. Insurers and other entities within the system are required to file numerous forms to document the course of the claim. Injured workers and employers want prompt responses to their inquiries about the status of claims or problems they are encountering. Attorneys are frequently hired to litigate issues despite the intent to create a no-fault method of compensating workers injured on the job. The complexity of the benefit structure drives parties to seek legal counsel to protect their rights.

1995 amendments. The 1995 legislation, among other things, carved out a group of cases involving claims between insurers and forced the claims into private arbitration. Legal issues concerning the extent of the arbitrator's authority and the workers' compensation judge's authority concerning claims between insurers are pending in the courts. Clarifying amendments may be necessary to avoid an impasse in the cases remaining in the workers' compensation system. Changes in the amount of attorney fees available may impact the litigation landscape, particularly after the effect of the amendments are fully known following judicial interpretation.

Technological improvements. The Judicial Services Unit is implementing its phase of department's imaging project in 1996 and 1997, using computer images, where available, in place of paper files. The business processes of the unit have been reviewed and revised in preparation for the new system. The parties may expect improved customer service as a result of the new process which will provide more rapid access to filed documents.

Goal 1 : To hear and resolve workers' compensation disputes.

Objective 1 : To resolve ____ percentage of "disputes" without certification for hearing to the Office of Administrative Hearings by F.Y. 1999.

Measure 1 : Percentage of disputes resolved without certification for hearing to the Office of Administrative Hearings.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Dispute Resolution Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Cases Certified to OAH						
Actual	6,065	5,375	5,458	4,960		

DEFINITION :

A primary role of the department is to resolve workers' compensation disputes without requiring formal hearings at the Office of Administrative Hearings (OAH). This measure is computed for the reporting period as follows: divide the total annual number of disputes resolved with finality by judicial services divided by the total annual disputes handled by judicial services multiplied by 100. It should be noted the term "dispute" does not have a uniform definition within the department. The term, or alternatives, is in the process of being defined to enable the agency to systematically capture, maintain, and use reliable, consistent data on the dispute resolution process.

RATIONALE :

Disputes between injured workers and insurers occur on workers' compensation claims. The department's role is to facilitate resolution of these disputes through administrative decisions or mediated settlements. Absent a resolution of a dispute, the department will certify an unresolved workers' compensation dispute to the OAH for a formal hearing. This measure allows the department, employers, labor, insurers, and attorneys to monitor the effectiveness of the department at resolving workers' compensation disputes toward the start of the litigation process.

DATA SOURCE :

Data and information on dispute resolution are incomplete. Some data exists in the agency's workers' compensation database, including information on cases certified to the OAH. Data currently captured on workers' compensation disputes, in general, tends to focus on how it was initiated or its statutory basis. Data is not systematically captured on the separate issues identified in claim petitions or requests for assistance. In the future, this activity's data and information will be incorporated into the overall agency database for workers' compensation which is currently being redesigned.

DISCUSSION OF PAST PERFORMANCE :

The department cannot currently generate this performance measure. The number of cases certified to the OAH has declined for several years. There are several reasons for this decline including the case law on the 1983 workers' compensation law becoming settled; the 1992 workers' compensation law and subsequent administrative rules that set health care fees, established health care treatment standards, allowed managed care, and tightened other benefits; and the 1995 workers' compensation law that further clarified and tightened benefits, limited attorneys' fees and encouraged alternative dispute resolution. The department also seems to be resolving more disputes through its many dispute resolution strategies.

PLAN TO ACHIEVE TARGETS :

The department plans to continue managing its case load to assure that administrative decisions are issued and settlement efforts are conducted fairly and in accordance with the law. Specific plans are to schedule a settlement conference on virtually all petitions. Parties are directed to regroup for a subsequent settlement conference when settlement is a realistic possibility in the near future. Monitoring the parties' progress toward trial readiness assists in moving the case toward conclusion which is frequently a settlement agreement. Plans are also being made to improve notice of conferences in an effort to allow the parties to identify any necessary parties or representatives not included in the department's records. Getting all necessary parties to the first conference will reduce unnecessary rescheduling efforts and staff preparation time.

OTHER FACTORS AFFECTING PERFORMANCE :

Decisions made by attorneys and their clients dictate performance. Neither insurers nor claimants are compelled to resolve their differences. They can continue to litigate their differences to the Minnesota Supreme Court. The most common approach among the parties, however, is to work toward resolution of whatever differences exist.

The actual issues being litigated can affect performance. Issues that are new or that never have been litigated, may cause the parties to litigate over the issue at each forum available under the law. Disputed factual issues involving the credibility of witnesses require a hearing and decision where the parties are not willing to compromise their positions.

Goal 2 : To hear and resolve workers' compensation disputes efficiently, fairly, and in accordance with the law.

Objective 1 : To reduce average/median length of time to resolve or certify a dispute by F.Y. 1999. (Under Development)

Measure 1 : **Under development.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
**Being developed						
Actual	N/A	N/A	N/A	N/A		
Average/Median Days to File Administrative Decisions						
Actual	N/A	N/A	N/A	N/A		
Average/Median Days to File Settlement Agreements						
Actual	N/A	N/A	N/A	N/A		
Average/Median Days to Certify Disputes for Hearing						
Actual	N/A	N/A	N/A	N/A		

DEFINITION :

The department provides formal dispute resolution services within the workers' compensation system. The time it takes to resolve disputes varies with the type of dispute and the method of resolution. This measure will reflect the average or median length of time it takes, from start to finish within the department, to resolve a dispute or move it onto the next stage in the adjudication process. This measure is under development and is dependent on the data the agency will capture on the dispute resolution process. The agency is currently developing this approach as part of its workers' compensation imaging project and business process redesign.

RATIONALE :

All stakeholders in the workers' compensation system desire prompt, fair resolution of workers' compensation disputes that are in accordance with the law. This measure provides insight into how promptly the dispute resolution process is working. It provides the department, legislators, employers, and labor a tool to monitor the efficiency with which employees, attorneys, insurers, and the department work together to resolve disputes.

DATA SOURCE :

The department's data and information on the dispute resolution process are incomplete. No clear measurement is currently available regarding this measure of performance. In the future, the redesigned workers' compensation database should have this information.

DISCUSSION OF PAST PERFORMANCE :

The department cannot discuss past performance because the necessary data are not currently available.

PLAN TO ACHIEVE TARGETS :

The department is in the process of developing and installing a new system for processing claim petitions, medical and rehabilitation conferences, and benefit discontinuance conferences. Once this new system is available and operational, the department will determine the current situation and then begin establishing plans for more efficient processing of disputes.

OTHER FACTORS AFFECTING PERFORMANCE :

Claimants and insurers, with their attorneys, have a tremendous effect on performance. Conferences may get reset for a later date because one or more of the parties is not ready or cannot attend. Settlement agreements may not get filed in a timely fashion because one or more of the parties is slow in signing the agreement. One or more of the parties may continue to ask for additional information from the other before agreeing to a settlement.

Goal 3 : To ensure trial readiness of unresolved petitions.

Objective 1 : To certify as ready for trial 100 percent of claim petitions by F.Y. 1999.

Measure 1 : Percentage of certified cases that are ready for trial.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
% of Cases Trial Ready						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Cases Certified to OAH						
Actual	6,065	5,375	5,458	4,960		

DEFINITION :

The department certifies disputes/litigation to the Office of Administrative Hearings (OAH) for a formal hearing and decision. Workers' compensation judges, working with the parties to the dispute, attempt to settle these disputes by assembling all relevant information to the case. All or part of a case may be certified to OAH for a formal hearing if the parties cannot resolve their differences. A case is considered to be "trial ready" if the parties have completed any independent medical or vocational evaluations, pretrial depositions, and other discovery, or will do so in the near future. The issues in the case should be clearly identified and supported by necessary documentation. The necessary parties should all be identified and joined as parties and permissive parties notified of the opportunity to request party status. In the event a settlement cannot be reached by the parties, the assembled information is forwarded to the OAH when the case is certified for hearing. A case can be scheduled more quickly for a hearing if the discovery process is complete. This measure is computed for the reporting period as follows: divide the total number of cases certified to OAH with a complete discovery package by the total number of cases certified to OAH and then multiply the result by 100.

RATIONALE :

The department certifies disputes/litigation to the OAH for a formal hearing and decision. Parties to these disputes, injured workers and employer/insurers, typically want quick adjudication of their dispute. A simple way of assuring prompt adjudication at OAH is to certify cases that are "trial ready." This measure provides the department, OAH, attorneys, insurers, employers, and labor a tool to monitor whether cases are being certified to the OAH ready for a hearing and decision.

DATA SOURCE :

No data is available on this measure. The department is currently reviewing the best approach to capturing this data.

DISCUSSION OF PAST PERFORMANCE :

The department cannot evaluate past performance for this objective and measure because it is currently under development.

PLAN TO ACHIEVE TARGETS :

The department is identifying, in cooperation with OAH, the information necessary for a workers' compensation case to be considered "trial ready" for a formal hearing. The agency's workers' compensation judges would work to settle a dispute and simultaneously assemble the necessary information that makes a case "trial ready." Both the department and the OAH would be monitoring the process to assure that cases being certified for hearing are ready.

OTHER FACTORS AFFECTING PERFORMANCE :

At times, the urgency of the employee's financial or medical situation influences referral of the case for hearing. Early referral before completion of pretrial procedures is appropriate in these cases.

Both the department and OAH rely on the parties to continue working toward resolution of the case. Detailed pretrial orders could force the case toward resolution, but would require significant additional staff time by the department or by OAH.

Agency : LABOR AND INDUSTRY DEPT
Program : WORKERS' COMPENSATION DIVISION
BACT : WC VOCATIONAL REHABILITATION

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$1,636	1.48%
From Special Revenue Funds	\$1,536	
General	\$100	
Number of FTE Staff:	29	6.72%

GOALS :

- To provide timely vocational rehabilitation services to injured workers when the employer/insurer denies liability for the workers' compensation claim. (M.S. 176.104)
- To assist eligible injured workers with a timely and appropriate return to employment through the provision of qualified rehabilitation consultant services. (M.S. 176.102)

DESCRIPTION OF SERVICES :

The department's Vocational Rehabilitation unit was established by the 1982 Legislature to provide vocational rehabilitation services to injured workers whose claims had been denied by the employer/insurer. The legislative rationale was labeled "early (vocational rehabilitation) intervention" to provide needed vocational assistance to injured workers prior to, rather than after, a determination of liability by the workers' compensation courts. These services are provided or coordinated by vocational rehabilitation counselors who are registered as QRCs (qualified rehabilitation consultants). Injured workers have the right to choose a QRC, to take an active part in developing their own written rehabilitation plan and to comment on or rate the services provided by the Vocational Rehabilitation unit. QRCs are neutral parties in the rehabilitation process. They are professionals who have knowledge of medical factors, local labor markets and statutes concerning rehabilitation within Minnesota's workers' compensation law.

Rehabilitation benefits injured workers, their employers, and their insurers. Cooperation and communication among these parties, medical providers and attorneys in a timely manner ensures a worker's earliest possible return to work. Early referral to a QRC helps ensure that this communication process is in place to assist all the parties.

Services are designed to help injured workers return to work as quickly, economically, and appropriately as possible. This often means a return to work with the present employer in either the same or another position. In some circumstances, it may be necessary to change both employer and type of work. To assure good communications among all interested parties, monthly reports are sent to the injured worker, employer, insurance carrier, attorneys, physicians and others concerned about the progress of the rehabilitation.

The Vocational Rehabilitation Unit's current emphasis and function is to return an injured employee to work and do so in a way that minimizes the economic impact to all parties involved. The Vocational Rehabilitation Unit serves three distinct groups of injured workers:

1. Primary Liability Denials or those injured workers whose liability has been denied by an insurance carrier and who are referred by statute to rehabilitation services.
2. Qualified employees (QEs) or injured workers who qualify for rehabilitation services paid by insurance carriers or self-insured employers.
3. Injured workers who have been suspended from rehabilitation services or are awaiting a determination concerning their eligibility for rehabilitation services.

Additionally, M.S. 176.102, subd. 4(f) requires the department to refer claimants off work for 180 days after the date of injury for a statutory rehabilitation consultation with the agency's VRU. Qualified Rehabilitation Consultants, or QRCs, provide injured workers with the following vocational services:

- Job analysis: Visual analysis of the job the injured worker held at time of injury
- Labor market surveys: Polling employers to determine hiring trends
- Vocational counseling: Assisting the injured worker with appropriate job goal development
- Job development: Assisting the injured worker in finding employment
- Testing: Coordination of or administration of vocational testing
- On-the-job training: Coordination of job tryouts with prospective employers
- Placement: Cold calling employers, developing job leads, placing injured workers in jobs with new employers
- Training in job-seeking skills: Enabling the injured worker to adequately perform a job search
- Analysis of transferable skills: Help determine what other jobs injured workers are qualified for
- Follow-up: Work with the injured worker and new employer to ensure a smooth transition to employment
- Referral to other agencies for related assistance: Ensure that the injured worker obtains additional services from the appropriate agency
- Monitoring/coordination of medical and training services: Ensure that the injured worker obtains appropriate medical treatment and/or training services

The Vocational Rehabilitation Unit bills insurers and self-insurers for services provided at \$50.00 per hour. Monies retrieved are deposited with the Special Compensation Fund.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR

<u>Type</u>	<u>Based</u>	<u>Measure</u>	<u>1994-95</u>	<u>1995-96</u>
A	FY	WC claims insurer denied primary liability (DPL)	12,158	11,414
A	FY	DPL claimants requesting vocational rehabilitation	N/A	506
A	FY	Qualified employees requesting vocational rehabilitation	N/A	95
A	FY	Statutory referrals to rehabilitation consultation	N/A	N/A
A	FY	Employers' Disability Management Requests	N/A	N/A
A	FY	Rehabilitation consultations conducted	N/A	601
A	FY	DPL Claimants Rehabilitation Plans Filed	N/A	378
A	FY	Rehabilitation Plans filed	N/A	469
A	FY	Rehabilitation Plans closed	N/A	N/A
A	FY	Outreach presentations	N/A	N/A
A	FY	Referrals to other services made	N/A	N/A
UC	FY	Average cost of closed Rehabilitation Plans	N/A	\$1,209
OD	FY	Average Duration of Closed Rehabilitation Plans (days)	N/A	239
A	FY	Clients returned to work	N/A	221
A	FY	Retraining Plans Filed	N/A	1

PROGRAM DRIVERS :

Workers' compensation claims activity. The volume of claims being filed with and claims being denied by employer/insurers are the principal drivers for this program. The more claims denied by insurers, the more potential clients for the vocational rehabilitation unit to provide services.

Voluntary. The decision to access vocational rehabilitation services is completely voluntary by workers' compensation claimants.

Eligibility. Workers' compensation claimants wanting access to vocational rehabilitation assistance must qualify for the services.

Referrals. The vocational rehabilitation unit may receive claimant referrals from several sources including the department, by judicial order, insurers, attorneys, and other social service agencies.

Disability management requests from employers for on-site job analysis, return to work programs, safety awareness, job modification and restructuring, represents a service that can help employees return to work quicker and keep them working despite a disability.

- Goal 1** : To provide timely vocational rehabilitation services to injured workers when the employer/insurer denies liability for the workers' compensation claim.
- Objective 1** : To provide an initial rehabilitation consultation to injured workers, whose claim for workers' compensation benefits are denied an average of 90 days from the denial being filed with the Department by F.Y. 1998.
- Measure 1** : Average number of days between department notice of denial of liability and initial rehabilitation consultation.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Ave. Days to Rehab. Consultation						
Actual	N/A	N/A	N/A	N/A		
Target					N/A	90
DPL Claimants Accessing Rehab. Consultation						
Actual	N/A	N/A	N/A	601		

DEFINITION :

The legislature created the department's Vocational Rehabilitation Unit in 1982 to provide vocational rehabilitation assistance to injured workers whose workers' compensation claims were denied by the employer/insurer. The legislative objective was to intervene early with injured workers who needed vocational assistance prior to, rather than after, a determination of liability by the workers' compensation courts.

This measure reflects the time, on average, that it takes before claimants with denied claims accessed a rehabilitation consultation from the department. The measure is computed for the reporting period in the following steps: 1) subtract those claimants whose workers' compensation claims were denied primary liability (DPL) from the total number of claimants that received a vocational rehabilitation consultation; 2) from that group, add together the number of days from each claimant; and 3) divide the resulting sum by the total number of DPL claimants obtaining a vocational rehabilitation consultation.

Any person accessing vocational rehabilitation services under Minnesota's workers' compensation system must have a vocational rehabilitation consultation with a Qualified Rehabilitation Consultant (QRC). The consultation includes verification of the claimant's inability to continue the duties of the job at time of injury, the fact that the employer at time of injury was unable to accommodate the restrictions, and that rehabilitation services will benefit the person's employability.

RATIONALE :

The legislature recognized that workers, whose claims for workers' compensation benefits were denied primary liability by employer/insurers, may still need vocational assistance while awaiting a decision from the workers' compensation courts regarding liability. This measure allows the department to monitor how quickly workers in this situation are accessing the agency's vocational rehabilitation service and is a reasonable tool to measure agency progress toward achieving the objective.

DATA SOURCE :

The VRU maintains data related to client demographics and service contacts. Nearly all data on client services is maintained on paper. The exception being the start and end dates of a rehabilitation plan which is captured in the department's workers' compensation database. The department is in the process of developing a computer application to capture this and other information which will be utilized to compile rehabilitation management reports for VRU.

DISCUSSION OF PAST PERFORMANCE :

The department is working on reducing the time between a claimants' claim being denied by the employer/insurer and the claimant obtaining a vocational rehabilitation consultation. The department established a more timely and structured approach to contacting claimants with denied claims in 1995. Program staff, through this approach, are more pro-active in reaching out to individuals in potential need.

PLAN TO ACHIEVE TARGETS :

The department's plan is to continue identifying and contacting injured workers' whose workers compensation claims were denied. The agency's approach is to: 1) generate a computerized list that identifies DPL claimants; 2) send a letter to identified DPL claimants that describes the vocational rehabilitation services available to them; 3) follow up the letters with personal telephone calls from staff inquiring about their interest and need for services; 4) schedule a vocational rehabilitation consultation; and 5) provide a consultation which will determine what level of services are needed by the DPL claimant. Procedures implemented in 1995 to monitor progress toward achieving this objective are constantly being refined by the QRCs.

OTHER FACTORS AFFECTING PERFORMANCE :

A claimant's interest in the vocational rehabilitation services the department offers is the primary factor affecting performance. Individuals may delay accessing the services for several weeks while they recover from an injury or illness, or they may decide to look for new employment on their own.

Delays in receiving the referral list of workers whose claims were denied would affect the performance by setting back the timelines for sending letters of introduction, conducting follow-up phone calls, and ultimately scheduling the vocational rehabilitation consultation.

Dispute resolution proceedings within the department may affect the timely provision of services if the parties are waiting for decisions before engaging in the rehabilitation process.

Goal 2 : To assist eligible injured workers with a timely and appropriate return to employment through the provision of qualified rehabilitation consultant services.

Objective 1 : To increase the return-to-work rate to ___ percent by F.Y. 1999.

Measure 1 : Percentage of appropriate, successful file closures out of total rehabilitation plans closed during the fiscal year.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Returned to Work Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Returned-to-Work						
Actual	N/A	N/A	N/A	221		

DEFINITION :

In Minnesota's workers' compensation program, vocational rehabilitation services are provided to claimants according to an individualized rehabilitation plan filed with the department. These plans are closed when the claimant returns to employment, the insurer and claimant sign a stipulation settling the workers' compensation claim on a "full, final, and complete" basis, the claimant fails to follow the filed rehabilitation plan, or a number of other events. A "return-to-work" occurs when the claimant returns to work with the same or different employer in the same or different job. This measure is computed for the reporting period as follows: 1) restrict the computation to only rehabilitation plans closed during the reporting period; 2) divide the total number of filed rehabilitation plans with a return-to-work by the total number of filed rehabilitation plans closed; and 3) then multiply the result by 100.

RATIONALE :

Preparing injured workers for a return to productive employment is the focus of vocational rehabilitation in Minnesota's workers' compensation system. A closed plan is judged successful when injured workers return to work. This measure demonstrates the agency's level of success in helping injured workers return to productive employment. It can also be used to compare the department's vocational rehabilitation program's success to other independent rehabilitation providers in the state.

DATA SOURCE :

The VRU maintains data related to client demographics and service contacts. Nearly all data on client services is maintained on paper. The exception being the start and end dates of a rehabilitation plan which is captured in the department's workers' compensation database. The department is in the process of developing a computer application to capture this and other information which will be utilized to compile rehabilitation management reports for VRU.

DISCUSSION OF PAST PERFORMANCE :

While the department has always emphasized work readiness and return to work, performance is more typically measured by return-to-work rates. This emphasis gives no value to job readiness -- particularly in light of the many plans ended because claimants settle their claims with the employer/insurer. The department's return-to-work rate is generally low because of settlements signed by claimants.

The department's performance is driven, in large part, by claimants signing "full, final, and complete" settlements with their employer/insurers while still not employed. This is considered to be "successful closure" because the employee signed an agreement to close the workers' compensation claim.

In contrast to most private-sector vocational rehabilitation firms, the department's claimant mixture and results are considerably different. The agency emphasizes service to claimants whose claims have been denied in contrast to the private-sector's emphasis on claims insurers accepted liability. Return-to-work closures for the department tend to be more frequently with a different employer than a new or old job with the same employer which is the case for private-sector rehabilitation providers.

PLAN TO ACHIEVE TARGETS :

The department emphasizes early vocational readiness to ensure the injured worker is prepared to return to work. The agency stresses early transferable-skill and job-goal identification, job seeking skills training, skill deficit training, and other assistance to help the injured worker to become vocationally ready. The department is also becoming more directly involved in job placement to help claimants return to work.

OTHER FACTORS AFFECTING PERFORMANCE :

Lack of cooperation of injured worker, relocation, removal from the labor market, termination of rehabilitation plan due to commissioner or judge's order, among others, are factors affecting performance. Files are also closed after one month of inactivity.

A significant factor affecting performance is clients signing "full, final, and complete" settlements with insurers prior to their return to work. This situation causes the department to concentrate on preparing clients for a return-to-work in addition to helping place them into appropriate new employment.

Goal 2 : To assist eligible injured workers with a timely and appropriate return to employment through the provision of qualified rehabilitation consultant services.

Objective 2 : To replace 80 percent of pre-injury wage (DOI) at the time of job placement by F.Y. 1999.

Measure 1 : Percentage of pre-injury wage (DOI) replaced at the time of job placement.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Wage Replacement Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	80%
Ave. Replacement Wage (hourly)						
Actual	\$N/A	\$N/A	\$N/A	\$N/A		
Ave. Wage at Date of Injury (hourly)						
Actual	\$N/A	\$N/A	\$N/A	\$N/A		

DEFINITION :

The overriding goal of rehabilitation is to restore the injured employee to work which produces an economic status as close as possible to that the employee would have enjoyed without the disability. The goal of a rehabilitation plan is to return the employee to suitable gainful employment which means, in part, produces an economic status as close as possible to that the employee would have enjoyed without the disability. One measure of that economic status is the comparison of the hourly earnings between pre-injury and post-injury jobs.

This measure is computed for the reporting period as follows: 1) identify the closed rehabilitation plans for the reporting period; 2) of this group, select only those rehabilitation plans that result in a job placement; 3) add together the hourly wage at placement for each individual claimant; 4) then add together the hourly wage from the date of injury job; 5) divide the sum of placement hourly wages by the sum of the DOI hourly wages; and 6) multiply the result by 100.

RATIONALE :

The department uses this measure for the following reasons: (1) to assess the quality of job placement services; and (2) to address issues related to suitable employment and the appropriateness of plan closure. The department's regulatory oversight office uses this measure to assess whether claimants are "restoring their economic status" to that which existed before the injury.

DATA SOURCE :

The VRU maintains data related to client demographics and service contacts. Nearly all data on client services is maintained on paper. The exception being the start and end dates of a rehabilitation plan which is captured in the department's workers' compensation database. The department is in the process of developing a computer application to capture this and other information which will be utilized to compile rehabilitation management reports for VRU.

DISCUSSION OF PAST PERFORMANCE :

The department is almost exclusively assisting individual's who's vocational option is to return to a job with a non-date of injury employer, and often to an occupation different than that at time of injury, albeit related by transferrable skills. It is difficult to replace the wages increased by longevity in a new employment situation. In the past, the department has achieved wage restoration at the 60% level.

PLAN TO ACHIEVE TARGETS :

The department requires QRC's to conduct and coordinate the employees' job search. This has been supported in a limited amount of instances by the hiring of an outside job vendor. The VRU is in the process of hiring internal job placement specialists for the purpose of augmenting QRC and client efforts. Secondly, the VRU is in the process of proceduralizing a pre-job search labor market assessment to determine job search focus and feasibility to facilitate identification on employment situations which result in the best outcomes.

OTHER FACTORS AFFECTING PERFORMANCE :

Economy has a great affect on the availability of jobs, and the competition for jobs with pay rates closer to wages at time of injury. Additionally, the clientele is more experienced and is injured at a higher wage rate, presenting a higher target wage restoration rate.

Agency : LABOR AND INDUSTRY DEPT
Program : WORKERS' COMPENSATION DIVISION
BACT : WC SPECIAL COMPENSATION FUND

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$83,888	75.81%
From Special Revenue Funds	\$83,888	
Number of FTE Staff:	34	7.83%

GOALS :

- To equitably administer the receipt and disbursement of special compensation funds. (M.S. 176.129)
- To efficiently administer the receipt and disbursement of special compensation funds. (M.S. 176.129)
- To ensure workers' compensation insurance coverage of employees in Minnesota. (M.S. 176.181)
- To ensure the efficient delivery of workers' compensation rehabilitation services to eligible injured workers at a reasonable cost. (M.S. 176.102)
- To ensure that injured workers receive reasonable and necessary medical care for the cure and relief of their work injuries at a reasonable cost to employers. (M.S. 176.135)

DESCRIPTION OF SERVICES :

The Special Compensation Unit is responsible for collecting the special compensation fund assessment on insurers and self-insurers that pays for administration of the state's workers' compensation system and assures the payment of statutory workers' compensation benefits to claimants. Specific responsibilities and services include:

Uninsured program - Employers who do not maintain mandatory workers' compensation coverage enjoy an unfair cost advantage through premium avoidance over employers complying with the law. The service population is employees of uninsured employers who are entitled to appropriate benefits under the statute. Uninsured employers raise system costs, through higher rates, to law-abiding employers.

- Assessment and reimbursement programs - Assessments are cost to insurers and self-insured employers. Those

costs are built into and passed on to employers through premium rates. On the other hand, insurers and self-insureds who pay the assessments receive back 70% of the assessment costs through the supplemental and second injury benefit reimbursement programs.

Mandatory coverage - Enforcement of mandatory coverage requirements ensures a level playing field for all Minnesota employers. The penalty authorities under this program have preventive and punitive effects on non-compliant employers.

Medical policy program - Medical costs have been a significant portion of the overall workers' compensation system, accounting for more dollars than monetary benefits to employees. This program monitors and implements medical cost saving tools such as a relative value fee schedule, treatment parameters and certified managed care plans. This program strives to ensure access to effective, quality medical treatment through training and professional conduct investigations.

Rehabilitation policy program - Rehabilitation services are a benefit to injured employees. These benefits assist an employee return to work in a suitable job.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIUM YEARS (BY)

Type	Based	Measure	1994-95	1995-96
		Special Claims Administration		
A	FY	Uninsured Claims Filed	N/A	360
A	FY	Uninsured Claims Managed	994	908
O	FY	Total Cost of Uninsured Claims (millions)	\$8.2	\$6.9
A	FY	Asbestos Claims Filed	N/A	283
		Benefit Reimbursement Programs		
O	FY	Supplementary Benefit Claims Paid	4,989	4,555
O	FY	Total Supplementary Benefit Amount Reimbursed (millions)	\$58.5	\$61.1
O	FY	2nd Injury Fund Claims Paid	1,721	1,400
O	FY	Total 2nd Injury Amount Reimbursed (millions)	\$28.7	\$20.0
		Mandatory Coverage Enforcement		
A	FY	Uninsured Employers Identified	501	535
O	FY	Uninsured Employer Penalties Assessed	N/A	217
OD	FY	Uninsured Penalty Amount Collected (\$000)	\$N/A	\$298
		Vocational Rehabilitation Policy		
A	FY	Registered Qualified Rehabilitation Consultants (QRC)	398	353
W	CY	Professional Conduct Complaints	N/A	10

LABOR AND INDUSTRY DEPT**1996 Agency Performance Report**

A	FY	Registered Rehabilitation Firms	140	135
A	FY	Rehabilitation Plans Filed	2,242	2,331
A	FY	Rehabilitation Plans Closed	3,184	2,579
A	FY	Rehab Clients Returned to Work	N/A	N/A
		Medical Policy		
A	FY	Managed Care Organizations	10	9
W	FY	Professional Conduct Complaints Processed	N/A	N/A
		Special Compensation Fund		
OD	FY	SCF Assessment Rate	28%	28%
OD	FY	Assessment Amount Collected (\$000)	\$132,902	\$109,681
OD	FY	Penalty Amount Collected (\$000)	\$615	\$1,117
OD	FY	Investment Income (\$000)	\$3,883	\$4,183
OD	FY	Recoveries (\$000)	\$5,486	\$8,246
OD	FY	Assessment Refunds (\$000)	\$2,626	\$1,827

PROGRAM DRIVERS :

The repeal of two reimbursement programs will influence the amount of the workers' compensation special fund assessments. The second injury reimbursement program was repealed in 1992 and should end in the year 2028. The supplemental benefit reimbursement program was repealed for dates of injury after 10/1/95 and is projected to end in the year 2032.

Most legislative changes have a direct or indirect affect on this program. The changes may be in the form of benefit changes that affect uninsured workers' compensation benefits, assessments on insurers, financial responsibilities of the Special Compensation Fund, or enforcement of employers' obligation to have workers' compensation insurance coverage.

Tighter economic conditions may lead to more uninsured claims as more businesses save costs by evading their responsibility to have workers' compensation insurance coverage.

Goal 1 : To equitably administer the receipt and disbursement of special compensation funds.
Objective 1 : To maintain insurers' error rate on assessment payments to the Special Compensation Fund at 4 percent through F.Y. 1999.

Measure 1 : Percentage of SCF assessment payments adjusted for accuracy.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
SCF Assessment Payment Error Rate Amended or Refunds						
Actual	4%	4%	4%	4%		
Target					4%	4%
No. of SCF Assessment Payments						
Actual	1,356	1,400	1,449	1,494		

DEFINITION :

The department manages the \$120 million Special Compensation Fund (SCF). Insurers and self-insurers pay a bi-annual SCF assessment to the department based on their payment of indemnity benefits. This money in turn reimburses insurers and self-insurers for payment of Supplementary Benefits and Second Injury Benefits; pays workers' compensation benefits for uninsured injured workers; and pays the administrative costs of the workers' compensation program and state's occupational safety and health administration. The SCF assessment is designed to assure that insurers and self-insurers pay their equitable share by basing each payers' assessment on the amount paid in indemnity benefits. This measure is computed for the reporting period as follows: divide the total number of adjusted SCF assessment payments by the total number of SCF assessment payments and then multiply the result by 100.

RATIONALE :

One of the department's responsibilities is to assure that insurers and self-insurers pay their equitable shares of the SCF assessment. This measure indicates how accurate insurers and self-insurers pay their SCF assessments. This measure also indicates the agency's work effort necessary to audit SCF assessment payments to assure equitable payment.

DATA SOURCE :

Data and information for this measure are generated and tracked using the Statewide Accounting MAPS program.

DISCUSSION OF PAST PERFORMANCE :

Past amended or refunded assessment reports consistently run at 4 percent of total reports. There are 750 reporting entities who report twice yearly.

PLAN TO ACHIEVE TARGETS :

The department will continue to audit 16-20 reporting entities per year and will initiate educational/training sessions with new reporting entities as they are certified by the Minnesota Department of Commerce.

OTHER FACTORS AFFECTING PERFORMANCE :

Insurance company procedures and practices affect the reporting of assessments. There are a multitude of ways in which insurers and self-insured employers report benefits paid during the previous six month reporting period.

Goal 1 : To equitably administer the receipt and disbursement of special compensation funds.
Objective 2 : To increase employer reimbursement of uninsured benefits and administrative costs to 30 percent by F.Y. 1999.

Measure 1 : Percentage of uninsured benefit and administrative costs reimbursed by uninsured employers.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Uninsured Claim Reimbursement Settlement Rate						
Actual	11%	17%	56%	96%		
Target					25%	30%
Uninsured Claims on Record						
Actual	N/A	N/A	994	908		

DEFINITION :

In Minnesota, employers must insure for workers' compensation liability. This may be accomplished through the purchase of an insurance policy from an authorized insurer or through self-insurance. Workers' compensation claims against uninsured employers are paid by the department from money collected through the Special Compensation Fund assessment on insurers and self-insured employers. State law authorizes the department to recover costs of the claim from uninsured employers.

This measure reflects the share of uninsured claim costs reimbursed to the department from uninsured employers. The measure is computed for the reporting period as follows: 1) select only those uninsured claims where the reimbursement amount has been determined; 2) add together the individual claim reimbursement amounts; 3) add together the individual claim expense amounts; 4) divide the sum total of claim reimbursements by the sum total of claim expenses; and 5) then multiply the result by 100.

The total dollars recovered in the fiscal year from all sources (including bankrupt self-insured employers) as percent of all dollars paid out during fiscal year for benefits to uninsured and bankrupt self-insured claimants. As of F.Y. 1996, all security recoveries from bankrupt self-insureds are exhausted.

RATIONALE :

Employers who do not insure against workers' compensation liability are being subsidized by all employers who properly and legally insure against work-related injuries. Uninsured employers have a duty and obligation to pay the costs of workers' compensation claims incurred by their employees. This measure allows the department to monitor uninsured employers' payment of their uninsured claims' expenses. Agency personnel will also be able to use this measure to monitor their own progress at improving employer reimbursement of uninsured claim expenses.

DATA SOURCE :

Data is generated from macro-accounting runs, accounts receivable, claims and collection databases.

DISCUSSION OF PAST PERFORMANCE :

Historical collections from uninsured employers has not been a focus. Delivery of benefits to the claimants was the agency's priority. The department has leveraged internal and external resources to fulfill the statutory responsibility under 176.183 to collect from uninsured employers reimbursement for benefits paid on uninsured claims.

PLAN TO ACHIEVE TARGETS :

The department investigates uninsured claims to determine employer liability. Once that is established, the department attempts to obtain 100% reimbursement of the claim's workers' compensation costs. Typically, the department enters into negotiations with the uninsured employer to agree on a reimbursement amount.

OTHER FACTORS AFFECTING PERFORMANCE :

Employers who declare bankruptcy or go out of business will affect performance. Corporate or business assets will be limited and these these employers will avoid paying most or all the amount of their uninsured claims.

Goal 2 : To efficiently administer the receipt and disbursement of special compensation funds.
Objective 1 : To initiate payment of 100 percent of valid uninsured claims within 14 days of constructive notice by F.Y. 1999.

Measure 1 : Percentage of wage loss benefits paid on valid uninsured claims within 14 days of constructive notice.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Timely First Payment Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%

DEFINITION :

Minnesota law requires the first payment of workers' compensation benefits be made within 14 days from the first day of lost time at work or the date of notice to the employer, whichever occurs later. The department takes on the role of employer, by law, for the payment of uninsured workers' compensation claims. The timely initial payment rate is computed for the reporting period as follows: divide the total number of indemnity payments to claimants initiated within 14 days of constructive notice by the total number of uninsured lost-time workers' compensation claims accepted by the department and then multiply the result by 100.

RATIONALE :

The timely initial payment rate demonstrates whether the department is initiating payment of indemnity benefits to uninsured claimants within the required number of days. This measure allows the department to monitor its performance for promptly paying uninsured workers' compensation benefits. The department is typically notified 30 to 60 days after the an uninsured worker sustains an injury. As such, it is critical that uninsured injured workers begin treating their injuries or illnesses and receiving any wage loss benefits truly due and owing as soon as possible.

DATA SOURCE :

There is no single data source for this measure. Currently, the only way to track this information is to hand calculate the payment records generated from the Statewide Accounting System against the status received date on the Department's management information system and cross-check against the claimant's paper file.

DISCUSSION OF PAST PERFORMANCE :

Reporting past performance is extremely difficult because the department does not systematically capture data and information on uninsured claims. The department intends to implement an automated claims management system to obtain this information.

OTHER FACTORS AFFECTING PERFORMANCE :

The ability of the department to promptly verify the validity of the claim is the primary factor affecting performance. The department must review or investigate the workers' claim for benefits and accept or deny liability. In this sense, the agency performs the same kind of investigation/review that any insurer or self-insurer conducts on a workers' compensation claim.

The department's ability to promptly establish an employer-employee relationship affects performance. Only employees covered under the workers' compensation law may be paid benefits. Delays in paying indemnity benefits may result from the department's inability to establish an employer-employee relationship.

Goal 2 : To efficiently administer the receipt and disbursement of special compensation funds.
Objective 2 : To pay 95 percent of Second Injury and Supplementary reimbursement claims within 90 days of receipt from insurers/self-insurers by F.Y. 1999.

Measure 1 : Percentage of Second Injury and Supplementary claims paid within 90 days/weeks of receipt. (Under Development)

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Timely SI/SB Reimbursement Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%

DEFINITION :

The department is responsible for managing the workers' compensation systems' insurer reimbursement programs. The first program is the Second Injury (SI) Fund. This program spreads the liability for registerable conditions (i.e., epilepsy, 10% permanent partial disability injuries) among all insurers in an effort to promote employer hiring of previously injured workers. The second is the Supplementary Benefit (SB) Program. This program assures a minimum indemnity benefit to permanently and totally disabled workers, or those injured workers earning less than 50% of the maximum compensation rate, four years after the injury date by spreading the liability among all insurers. Under both programs, insurers submit requests for reimbursement from the Special Compensation Fund for their benefit costs.

This measure reflects how timely the department pays insurers' reimbursement requests. A specific formula for computing this measure has not been developed. It will be more effectively defined as the department redesigns the work processes associated with reviewing and paying insurers' reimbursement requests.

RATIONALE :

Timely payment of Second Injury and Supplementary Benefit reimbursement requests is an indicator of the efficiency of the department's process for receiving, reviewing, and paying these requests. This measure allows the department and insurers to monitor, in conjunction with the accuracy of reimbursement requests, the efficiency of the SI/SB reimbursement process.

DATA SOURCE :

No data and information for this measure on reimbursing insurers' Second Injury and Supplementary benefits are available through department computer reports. The data and information will only become available when the department installs a computerized claim management system.

DISCUSSION OF PAST PERFORMANCE :

The department currently uses a staff-intensive, time-consuming process to receive, review, and pay insurers' reimbursement requests for Second Injury and Supplementary benefits expenses. No record exists that shows past performance on paying reimbursement requests.

PLAN TO ACHIEVE TARGETS :

The department plans to improve the payment process of insurers' Second Injury and Supplementary benefits reimbursement requests by installing a computerized claims management system that will allow more effective management of reimbursements. In this computerized environment, the turn-around-time to pay an insurer is linked to the quality of reimbursement requests. The agency will be able to use reimbursement information to identify specific issues for education of and consultation with insurers to improve their performance.

OTHER FACTORS AFFECTING PERFORMANCE :

The claims management process of individual insurers is the single most important factor affecting performance. The quality of data maintained in insurers' claim management systems govern the quality and accuracy of insurers' Second Injury and Supplementary Benefit reimbursement requests. The quality of reimbursement requests will determine the speed of the reimbursement payment.

Goal 3 : To ensure workers' compensation insurance coverage of employees in Minnesota.
Objective 1 : To reduce the annual uninsured indemnity claim incidence rate to 2.1 per 1,000 annual indemnity claims by F.Y. 1999.

Measure 1 : Uninsured indemnity claims per 1,000 total indemnity claims.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Uninsured Claim Incidence Rate						
Actual	3.3e	1.9e	2.0e	N/A		
Target				2.1	2.1	2.1
Uninsured Claims Indemnity Filed						
Actual	122	68e	61e	N/A		

DEFINITION :

In Minnesota, employers must insure for workers' compensation liability. This may be accomplished through the purchase of an insurance policy from an authorized insurer or through self-insurance. Workers' compensation claims against uninsured employers are paid by the department from money collected through the Special Compensation Fund assessment on insurers and self-insured employers. This measure is computed for the reporting period as follows: divide the total number of uninsured indemnity claims filed for the year of injury by the total number of indemnity claims filed for the year of injury and then multiply by 1,000. Incidence rates are not fully developed until 3 years after the injury year due to delays in reporting.

RATIONALE :

In Minnesota, employers must insure against work-related injuries and illnesses by obtaining workers' compensation insurance. The department enforces this mandatory coverage requirement. The failure of employers to obtain insurance coverage results in uninsured workers' compensation claims. This measure provides an indicator of change in uninsured workers' compensation claims over time. It allows the department, employers, labor, and insurers to monitor the incidence of uninsured claims in Minnesota.

DATA SOURCE :

The department maintains detailed data and information on the agency's workers' compensation database. The incidence rate is presented on a calendar year basis to conform to the injury year reporting that occurs in the workers' compensation system. This measure is also limited to uninsured indemnity claims which excludes all uninsured medical only claims filed with the department.

DISCUSSION OF PAST PERFORMANCE :

Historically, the incidence of uninsured claims per 1,000 indemnity claims is about three per accident/claim year. A decline in the incidence rate began in 1991. One explanation is the significant increase of penalties assessed on employers for being uninsured specified in the 1992 workers' compensation reform law.

PLAN TO ACHIEVE TARGETS :

The department is aggressively enforcing employers' statutory obligation to obtain workers' compensation insurance. Administrative rules are being developed to provide the department guidance on penalty assessment and dispute resolution. A comprehensive internal mandatory coverage policy and procedures manual is in development to assure consistent, comprehensive enforcement. The department is also exploring proactive approaches to assuring employers obtain workers compensation coverage to prevent uninsured workers' compensation claims.

OTHER FACTORS AFFECTING PERFORMANCE :

The single most important factor affecting performance is the willingness of some employers to operate without workers' compensation coverage or their ignorance of the law.

A more competitive state, local, or industry economic environment may affect performance by making profitable operations more difficult. Some employers may choose to operate without workers' compensation insurance coverage.

Goal 3 : To ensure workers' compensation insurance coverage of employees in Minnesota.
Objective 2 : To achieve an average uninsured employer penalty settlement amount of two times the employers' evaded premium by F.Y. 1999. (Under Development)

Measure 1 : Average penalty settlement amount multiple of employers' evaded premium. (Under Development)

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Uninsured Employer Penalty Rate						
Actual	N/A%	N/A%	N/A%	113%		
Target					150%	175%
Uninsured Employer Evaded Premiums (\$000)						
Actual	\$N/A	\$N/A	\$N/A	\$262		

DEFINITION :

In Minnesota, employers must insure for workers' compensation liability. The department enforces the mandatory coverage requirement on employers. Agency personnel investigate all allegations of employers being uninsured for workers' compensation coverage. Identified uninsured employers are assessed an administrative penalty of up to \$1,000 per employee per week they were uninsured. The commissioner chose to use uninsured employers' evaded premium as the basis for calculating an employer's assessed administrative penalty. The formula for computing this measure is still under development.

:

RATIONALE :

Under Minnesota law, employers who fail to obtain workers' compensation insurance may be penalized. The department's responsibility is to design an administrative penalty system that makes employers pay fair and equitable administrative penalties. This measure will allow the department to monitor mandatory coverage penalty assessment and payment process. The main goal of the department is to ensure employers comply with and maintain coverage.

DATA SOURCE :

Little data and information are available for this measurement. The department is in the process of more effectively organizing the data collection and reporting systems for this activity.

PLAN TO ACHIEVE TARGETS :

The department aggressively enforces employers' statutory obligation to obtain workers' compensation insurance. Administrative rules are being developed to provide the department guidance on penalty assessment and dispute resolution. A comprehensive internal mandatory coverage policy and procedures manual is in development to assure consistent, comprehensive enforcement.

OTHER FACTORS AFFECTING PERFORMANCE :

Employers declaring bankruptcy or going out of business will affect performance because it is unlikely any penalty would be paid for being uninsured.

The department's agreement to modify the assessed administrative penalty through a settlement with the uninsured employer.

Goal 4 : To ensure the efficient delivery of workers' compensation rehabilitation services to eligible injured workers at a reasonable cost.

Objective 1 : To achieve _____ percent return-to-work rate by F.Y. 1999.

Measure 1 : Percentage of rehabilitation plans closed due to return-to-work.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Return-to-Work Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Settlement Closure Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Closed Rehabilitation Plans						
Actual	5,659	3,184	2,579	N/A		

DEFINITION :

The goal of Minnesota's workers' compensation vocational rehabilitation is to "restore the injured employee to work which produces an economic status as close as possible to that the employee would have enjoyed without the disability." Return to work includes employment with the "date of injury" employer in the same or different job or employment with a different employer in the same or different job. The measure is computed for the reporting period as follows: 1) select only rehabilitation plans closed; 2) divide the total number of plans closed because the injured worker returned to work by the total number of closed rehabilitation plans; and 3) multiply the result by 100.

RATIONALE :

A key statutory objective of workers' compensation vocation rehabilitation is the return of injured workers to productive employment. This measure allows the department, employers, labor, insurers, and attorneys to monitor the effectiveness of the rehabilitation component of the workers' compensation system to achieve one of its statutory objectives -- return to work. The other performance measure, "settlement closure rate," allows the department and legislature to monitor the use of settlement stipulations to end vocational rehabilitation plans despite the injured worker remaining out of work.

DATA SOURCE :

The department captured some data on vocational rehabilitation in the agency's workers' compensation database through F.Y. 1992. In F.Y. 1993, the department limited rehabilitation data entered into the workers' compensation database to the start and end dates of filed rehabilitation plans and their total cost. This change occurred in part from enactment of legislative reforms to the workers' compensation vocational rehabilitation program.

DISCUSSION OF PAST PERFORMANCE :

The department is unsure of past performance because the only data entered into the workers' compensation database is the start and end dates of a filed vocational rehabilitation plan. Data necessary to explain performance, analyze return-to-work rates, and the reasons for closing of vocational rehabilitation plans is unavailable.

PLAN TO ACHIEVE TARGETS :

The department's plan for achieving this objective is to more effectively monitor performance of insurers and vocational rehabilitation providers. Many of the rehabilitation forms filed by insurers and QRCs were revised in F.Y. 97 to provide the department more detailed performance data. This measure will be part of a comprehensive annual rehabilitation outcome report that summarizes costs, duration, and return to work outcomes of rehabilitation for all injured workers receiving rehabilitation services. The report will provide information on the entire system and by QRC firms, vendor firms, insurers, and self-insured employers.

In addition, the department will be able to use the information from the vocational rehabilitation database to identify specific issues for education of and individual consultation with QRCs, insurers, attorneys, and elements of the workers' compensation judicial system to assure the overall goals of rehabilitation are achieved.

OTHER FACTORS AFFECTING PERFORMANCE :

"Full, final, and complete" settlement agreements signed by claimants and insurers to resolve claim disputes frequently end injured workers' receipt of vocational rehabilitation services -- even though injured workers may still not be working. Injured workers seem to imply, by signing these agreements, that they are best served by signing the settlement rather than continuing with their rehabilitation plan. The importance of this factor explains the inclusion of the Settlement Rehabilitation Plan Closure Rate in this report.

Goal 4 : To ensure the efficient delivery of workers' compensation rehabilitation services to eligible injured workers at a reasonable cost.

Objective 2 : To replace, on average, 80 percent of pre-injury DOI weekly wage at the time of placement by F.Y. 1999.

Measure 1 : Average percentage of pre-injury wage replaced at time of placement.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Hourly Wage Replacement Rate						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					80%	80%
Average RTW Weekly Wage Rate						
Actual	\$N/A	\$N/A	\$N/A	\$N/A		
Average DOI Weekly Wage Rate						
Actual	\$N/A	\$N/A	\$N/A	\$N/A		

DEFINITION :

The goal of Minnesota's workers' compensation vocational rehabilitation is to "restore the injured employee to work which produces an economic status as close as possible to that the employee would have enjoyed without the disability." Economic status is understood within the workers' compensation system to mean wages or compensation. Claimant's date-of-injury (DOI) hourly wages become the wage targets used by employers and insurers when attempting to return the claimant back to work.

The measure is computed for the reporting period as follows: 1) select only rehabilitation plans closed because of the injured workers return to work; 2) add together the individual DOI weekly wage rates; 3) add together the individual return-to-work (RTW) weekly wage rates; 4) then divide the sum of DOI hourly rates by the sum of the RTW hourly rates; 5) then multiply the result by 100.

RATIONALE :

A key statutory objective of workers' compensation vocational rehabilitation is to restore injured workers' economic status to that as close as possible to their date-of-injury wage. This measure allows the department, employers, labor, insurers, and attorneys to monitor the effectiveness of the rehabilitation component of the workers' compensation system achieve one of its statutory objectives -- wage replacement.

DATA SOURCE :

The department captured some data on vocational rehabilitation in the agency's workers' compensation database through F.Y. 1992. In F.Y. 1993, rehabilitation data entered into the workers' compensation database was limited to the start and end dates of filed rehabilitation plans and their total cost. The 1993 change resulted from a combination of legislative reforms to the workers' compensation vocational rehabilitation program and internal agency budgetary constraints.

The department redesigned the rehabilitation forms that provide the data to the agency to measure rehabilitation provider performance. The department is in the process of developing a comprehensive vocational rehabilitation performance report that includes this measure.

DISCUSSION OF PAST PERFORMANCE :

The department is unsure of past performance because the only data entered into the workers' compensation database has been the start and end dates of a filed vocational rehabilitation plan since F.Y. 1992. Data necessary to analyze wage replacement resulting from vocational rehabilitation and to explain performance is unavailable.

PLAN TO ACHIEVE TARGETS :

The department's plan for achieving this objective is to more effectively monitor performance of insurers and vocational rehabilitation providers. Many of the rehabilitation forms filed by insurers and QRCs were revised in F.Y. 97 to provide the department more detailed performance data. This measure will be part of a comprehensive annual rehabilitation outcome report that summarizes costs, duration, and return to work outcomes of rehabilitation for all injured workers receiving rehabilitation services. The report will provide information on the entire system and by QRC firms, vendor firms, insurers, and self-insured employers.

In addition, the department will be able to use the information from the vocational rehabilitation database to identify specific issues for education of and individual consultation with QRCs, insurers, attorneys, and elements of the workers' compensation judicial system to assure the overall goals of rehabilitation are achieved.

OTHER FACTORS AFFECTING PERFORMANCE :

The availability of suitable gainful employment, meeting a claimant's physical limitations, that produces income comparable to his/her pre-injury employment is the single most important factor affecting performance.

The economic condition of Minnesota, local communities, and specific industries influences the availability of jobs for claimants. A tight economy means fewer jobs are created and many previously filled jobs go vacant. A growing economy creates jobs and, by extension, opportunities for claimants to be employed.

Goal 4 : To ensure the efficient delivery of workers' compensation rehabilitation services to eligible injured workers at a reasonable cost.

Objective 3 : To maintain an average cost per closed rehabilitation plan of \$5,700 through F.Y. 1999.

Measure 1 : Average rehabilitation plan cost per claimant returned to work.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Ave. Rehabilitation Plan Cost						
Actual	\$5,200	\$6,300	\$5,700	\$N/A		
Target					\$5,700	\$5,700
Rehabilitation Plans Closed						
Actual	550	695	486	N/A		

DEFINITION :

The goal of Minnesota's workers' compensation vocational rehabilitation is to "restore the injured employee to work which produces an economic status as close as possible to what the employee would have enjoyed without the disability." Return to work includes employment with the "date of injury" employer in the same or different job or employment with a different employer in the same or different job. This measure reflects the average cost to return an injured work to productive employment.

This performance measure is computed for the reporting period as follows: 1) select only rehabilitation plans closed because the claimant returned to work; 2) add together the cost of rehabilitation services from the individual closed plans; and 3) divide that sum by the total number of rehabilitation plans closed because the injured worker returned to work.

RATIONALE :

The key statutory objective of workers' compensation vocation rehabilitation is the return of injured workers to productive employment. This measure allows the department, employers, labor, insurers, and attorneys to monitor the cost effectiveness of the rehabilitation component of the workers' compensation system.

The performance measure is narrowly defined to reflect the actual cost to return injured workers to suitable gainful employment. Additional measures are presented offer alternate ways to view rehabilitation plan cost and put the performance measure into context. The first is a system efficiency measure that reflects overall rehabilitation plan costs per injured workers return to work. The second is an outcome measure that reflects overall rehabilitation plan costs per closed plan. The third is an outcome measure that reflects average rehabilitation plan costs per plan closed because claimants signed a settlement agreement.

These additional measures allow the department and legislature to monitor the true cost of return to work and rehabilitation cost of settlement stipulations to end vocational rehabilitation plans.

DATA SOURCE :

The department captured some data on vocational rehabilitation in the agency's workers' compensation database through F.Y. 1992. In F.Y. 1993, rehabilitation data entered into the workers' compensation database was limited to the start and end dates of filed rehabilitation plans and their total cost. The 1993 change resulted from a combination of legislative reforms to the workers' compensation vocational rehabilitation program and internal agency budgetary constraints.

Despite this history, the department redesigned the rehabilitation forms that provide the data to the agency to measure rehabilitation provider performance. The department is in the process of developing a comprehensive vocational rehabilitation performance report that includes this measure.

DISCUSSION OF PAST PERFORMANCE :

The department is unsure of past performance because the only data entered into the workers' compensation database has been the start and end dates and cost of a filed vocational rehabilitation plan since F.Y. 1992. Data necessary to analyze cost of providing rehabilitation services in conjunction with the results of vocational rehabilitation and, as such, explain performance is unavailable.

PLAN TO ACHIEVE TARGETS :

The department's plan for achieving this objective is to more effectively monitor performance of vocational rehabilitation providers and insurers. This measure will be part of a comprehensive annual rehabilitation outcome report that summarizes costs, duration of rehabilitation plans, and return-to-work outcomes of rehabilitation for all injured workers receiving rehabilitation services. The report will provide information on the entire system and by QRC firms, vendor firms, insurers, and self-insured employers.

The department revised two forms filed by QRCs with the agency that document the start, content, and closure of claimants' rehabilitation plans. The R-2 Rehabilitation Plan details claimants' educational attainment, wage and work status on the date of injury, return-to-work vocational goal, and the specific rehabilitation services (including estimated duration and cost) planned for the claimant. The R-8 Notice of Rehabilitation Plan Closure form details the rehabilitation outcome, the basis for closing the rehabilitation plan, elements of the rehabilitation plan, and costs and duration of the rehabilitation plan. Quality information, necessary to effectively monitor and evaluate vocational rehabilitation plans, will now be available to the department for the first time.

In addition, the department will be able to use the information from the vocational rehabilitation database to identify specific issues for education of and individual consultation with QRCs, insurers, attorneys, and elements of the workers' compensation judicial system to assure the overall goals of rehabilitation are achieved.

OTHER FACTORS AFFECTING PERFORMANCE :

The availability of suitable gainful employment, meeting a claimant's physical limitations, that produces income comparable to their pre-injury employment is the single most important factor affecting performance.

The economic condition of Minnesota, local communities, and specific industries dictate the availability of jobs for claimants. A tight economy means fewer jobs are created and many previously filled jobs go vacant. A growing economy creates jobs and, by extension, opportunities for claimants to be employed. The cost of rehabilitation plans are linked to the duration of service provided a claimant.

Insurers' and self-insurers' influence the level of performance for this measure in their ability to help persuade employers to return their injured employees back to work.

"Full, final, and complete" settlement agreements signed by claimants and insurers, to resolve claim disputes, frequently end injured workers' receipt of vocational rehabilitation services -- even though injured workers may still not be working. Injured workers seem to imply, by signing these agreements, that they are best served by signing the settlement rather than continuing with their rehabilitation plan. The importance of this factor explains the inclusion of a performance measure linked to claimants signing settlement agreements. It helps provide some context to the average duration for rehabilitation plans closed because of the claimant's return to work.

Goal 5 : To ensure that injured workers receive reasonable and necessary medical care for the cure and relief of their work injuries at a reasonable cost to employers.

Objective 1 : Objectives are under development.

Measure 1 : Performance measure(s) are under development.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Reasonable & Necessary Medical Care						
Actual	N/A	N/A	N/A	N/A		
Target					N/A	N/A

DEFINITION :

As part of the 1992 workers' compensation reform law, the legislature changed the health care component of workers' compensation. It directed the department to establish treatment standards for some injuries and illnesses, set a relative-value fee schedule, and certify managed care organizations to deliver workers' compensation health care services. The department is in the process of identifying the best methods for assessing the effectiveness of these changes on the workers' compensation system and on injured workers receiving reasonable, necessary, and appropriate medical care. Objectives and performance measures will be developed by the next Agency Performance Report in 1998.

Agency : LABOR AND INDUSTRY DEPT
Program : WORKPLACE SERVICES DIVISION
BACT : OCCUPATIONAL SAFETY & HEALTH

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$6,725	6.08%
From Federal Funds	\$2,863	
From Special Revenue Funds	\$3,862	
Number of FTE Staff:	95	21.90%

GOALS :

- To identify and eliminate workplace hazards. (M.S. 182.65)
- To efficiently target and influence employer compliance with the Occupational Safety and Health Act. (M.S. 182.65)
- To be responsive to stakeholder concerns and needs. (M.S. 182.65)

DESCRIPTION OF SERVICES :

Minnesota OSHA exists to assure safe and healthful working conditions for all Minnesota workers. The department fulfills this responsibility through OSHA Compliance and Workplace Safety Consultation which are two complimentary activities authorized in federal law.

The Williams-Steiger Occupational Safety and Health Act of 1970 (Public Law 91-596) established the Federal Occupational Safety and Health Administration (Federal OSHA). Provisions were included in the law that allows states to develop their own OSHA enforcement program. It also allows the Secretary of Labor to enter into agreements with states for the purpose of establishing state consultation programs. The congressional intent was to establish two separate and independent safety and health programs. Funding for the enforcement program is on a 50/50 basis (50 percent federal funds and 50 percent state funds) while funding for the consultation program is 90/10 (90 percent Federal funds and 10 percent state funds).

In 1973, the Minnesota legislature passed the Minnesota Occupational Safety and Health Act (M. S. Chapter 182) which established Minnesota's Occupational Safety and Health Program in accordance with Section 18 of the Federal OSHA Act for the purpose of ensuring safe and healthful working conditions for Minnesota's

employees, promoting occupational safety and health, and providing direction and support to employers in meeting their obligations under the Minnesota Occupational Safety and Health Act through training and education. The consultation program was established in September 1981. Its primary goal is to assist employers and employees to implement an effective safety and health program to prevent the occurrence of injuries and illnesses which may result from exposure to hazardous workplace conditions and from hazardous work practices.

OSHA Compliance conducts enforcement inspections statewide and issues citations and proposed penalties, where appropriate; investigates workplace fatalities and accidents to determine the cause and to prevent recurrence; provides employers with information and technical assistance in reducing or eliminating hazards from the workplace; encourages voluntary compliance and joint labor-management efforts to reduce injuries and illnesses; conducts and/or participates in occupational safety and health training and education seminars and conferences; develops and distributes written compliance guides to assist employers in meeting the requirements of OSHA standards; and adopts new standards to provide compliance requirements.

Workplace safety consultation provides safety and health services at no cost to small employers who request assistance in understanding and voluntarily complying with the MN Occupational Safety and Health Act. This activity assists employers and employees in implementing effective safety and health programs to prevent the occurrence of injuries and illnesses which may result from exposure to hazardous workplace conditions and hazardous work practices. The scope of services includes: (1) identifying safety and health hazards in workplaces; (2) controlling or eliminating these hazards successfully; (3) establishing or improving a workplace safety and health program; and (4) understanding all requirements of applicable federal (or state) law and implementing regulations. Technical assistance is also provided in standards interpretation. Other significant programs include the following: loggers safety education, labor-management safety committee, safety abatement grant, and workplace violence prevention programs.

While OSHA compliance and workplace safety consultation share a common goal, each activity uses different means for attaining that goal. OSHA compliance conducts enforcement inspections of workplaces, adopts safety and health standards, and provides training and education to employers. All employers, with the exception of Federal facilities and those under exclusive Federal jurisdiction (such as interstate commerce (ICC) and airlines (FAA)), are subject to enforcement inspections by OSHA Compliance. High-hazard industry employers are a priority for inspection. They include those employers in an industry which is among the top 200 in number of serious violations per OSHA inspection and therefore appear on the Federal planning guide list of companies to be inspected. Inspections are scheduled for employers which have had four or more lost work time injury claims for workers' compensation within the past 12 months. Workplace safety consultation provides non-enforcement safety and health consultation services at no cost to requesting employers and provides training and education for employers. Small employers (1-500 employees) in high-hazard industries, who might not otherwise have assistance in their efforts to reduce the human and financial costs of job-related injuries and illnesses, are specifically targeted in promotional activities and given highest priority in scheduling inspections.

OSHA compliance must meet the federal OSHA mandate to maintain a program that is at least as effective as the federal program. This includes a requirement to adopt and enforce safety and health standards that are at least as effective as federal OSHA standards. These standards form the basis for determining whether employers have met their obligation under the OSH Act to maintain a safe and healthful workplace. When OSHA compliance and OSHA workplace safety consultation identify a hazard which is a violation of standards, the violation is classified as either serious or non-serious, depending upon how serious the most likely injury would be. There are also two other classifications for violations: willful and repeat. A violation is cited as willful when the employer either knows of the hazard, or should have known, and refuses to either correct it or halt the

unsafe/unhealthy activity. A repeat violation is issued when an employer had been cited for a violation of the same standard within the previous three years; repeat violations may be either serious or non-serious. Following an OSHA compliance inspection where violations were observed, the employer receives a citation and notification of proposed penalty which lists all violations found during the inspection, grouped by classification (e.g. all serious violations in one citation, all non-serious in one citation). Penalties are calculated following established criteria that take into consideration the severity and probability ratings of the violation and allow credits for good faith, size, and history. Maximum penalties are established by statute.

OSHA Compliance and Workplace Safety Consultation share a responsibility to educate employers and employees about the importance of maintaining a safe and healthful work environment. Both activities support and encourage employer and employee participation in safety and health loss prevention programs, assist employers and employees in understanding and complying with OSHA standards through training and education, and encourage employee participation in safety and health committees.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIIUM YEARS (BY)

Type	Based	Measure	1994-95	1995-96
W	FY	Number of workers under Minnesota OSHA jurisdiction (est.)	1,523,500	1,547,200
A	FY	Number of inspections conducted	2,651	2,072
A	FY	Number of violations cited, total	5,843	3,864
A	FY	Serious violations cited	4,488	2,889
A	FY	Willful violations cited	28	9
A	FY	Repeat or failed-to-abate violations cited	136	40
A	FY	Number of outreach events given	176	207
A	FY	Number of workers covered by inspections	117,223	83,565
A	FY	Number of individuals attending outreach presentations	9,618	8,935
A	FY	Penalties collected by Minnesota OSHA Compliance	\$1,850,207	\$2,121,567
UC	FY	Average total cost per inspection or outreach	\$1,752	\$2,412
UC	FY	Net cost in State funds per inspection or outreach (less: Federal funding and penalties collected)	\$221	\$358
A	FY	Number of consultations conducted	448	543
A	FY	Number of training/education sessions presented	116	183
A	FY	Number of workers impacted	30,503	52,259
OD	FY	Impact of consultation to employers in penalties savings (hazards identified and eliminated)	\$1,451,789	\$1,582,757
UC	FY	Total cost per consultation visit and training and education session	\$1,038	\$1,052

LABOR AND INDUSTRY DEPT**1996 Agency Performance Report**

UC	FY	Net cost in State funds per consultation visit or training/education session	\$107	\$168
A	FY	Number of individuals attending training/education sessions	3,088	7,216

PROGRAM DRIVERS :

Federal OSHA action. In order to maintain Minnesota's status as an approved state plan (i.e., one that is determined to be "at least as effective as" as the Federal OSHA program), OSHA Compliance and Workplace Safety Consultation are required to adopt and/or implement programs and standards that meet Federal criteria. OSHA reform is being debated in Congress the past two years and recent policy and procedural changes have resulted in federal OSHA re-focusing on new programs and new measures of effectiveness. The Occupational Safety and Health Act itself has not changed since it was passed in 1970.

Technological advancements. Technological advancements in the workplace will change the way OSHA approaches workplace safety and health issues. The challenges created by advanced technology require flexibility and future-oriented planning. Technological advancements have provided industry with new and better ways of doing the job faster, more efficiently, and, in some cases, more safely. However, the new machines and equipment can also create hazards -- mechanical parts that need to be guarded or covered to prevent accidental employee contact; switches that need to be accessible to employees but guarded from unintentional activation; complex mechanical and/or electronic systems that need periodic inspections and maintenance; new processes that create unanticipated toxic dusts or chemical exposures; etc. In some cases, the new way may not necessarily be the safest way, so OSHA compliance and workplace safety consultation must be prepared to meet the needs of evolving workplace technology to ensure safe and healthful working conditions and work practices for all Minnesotans. The challenge is to keep safety and health investigators and consultants up-to-date with constantly changing technology.

Recognition of problems and emergence of new hazards. New technology will undoubtedly create new hazards and safety and health problems with existing work practices which must also be addressed. Scientific and medical research will continue to uncover previously unidentified hazards. Existing standards may not be effective in dealing with these hazards and new standards will have to be developed. For example, scientific and medical research have brought awareness of the health hazards associated with exposure to electromagnetic radiation from high voltage, asbestos, lead, formaldehyde, and numerous other substances. Once identified, these hazards needed to be eliminated. Standards were developed to provide guidance to employers and safety and health investigators and consultants. Another example of problem recognition in the workplace is the new emphasis on ergonomics and reducing repetitive motion trauma. The day-to-day operations of many workplaces have changed work station design, work processes and procedures. Minnesota OSHA needs to be ready to help employers determine the appropriate changes for their workplaces.

New program initiatives. Two new programs introduced in FY 97 are designed to improve safety and health in the workplace through partnership with employers. They focus on employers who have a high rate of workplace injuries and illnesses. "Minnesota First" (MN First) targets larger employers through compliance inspections, while the Minnesota Safety and Health Achievement Recognition Program (MN SHARP) targets small employers through on-site consultation visits.

The goal of both programs is to assist employers and employees in reducing lost workday injury rates (LWDIR) by giving them the tools they need to construct and maintain safe workplaces. Reducing injuries and illnesses,

besides being obviously beneficial to employees, lowers the cost of down time and employee retraining. A reduction in LWDIR will also lower the cost of workers' compensation premiums.

Participants will come from a broad range of employers including government, printing, manufacturing and services. Although MN FIRST and MN SHARP are similar, there are some differences in each program's purpose and mission.

MN FIRST is an enforcement-based inspection program for high-hazard employers with 100 or more employees who have injury and illness rates above the current average for all Minnesota employers. Minnesota OSHA compliance staff will target these employers for a comprehensive, wall-to-wall facility inspection. Employers who choose to participate in the program will then work with MNOSHA staff to develop an "action plan." The plan will address ways to decrease hazards in the workplace, develop an effective safety and health program, form a safety committee and ensure employee involvement. Employers submitting an acceptable action plan will receive a significant reduction in assessed penalties and a two-year exemption from programmed compliance inspections. MNOSHA will continue to respond to employee complaints and referrals for inspections at participating companies.

MN SHARP is a recognition program for high-hazard employers with under 100 employees. Employers become MN SHARP candidates by first requesting a free and comprehensive work site safety and health survey from the department's workplace safety consultation. The employer must make a commitment to correct all identified hazards. The consultation will result in an action plan similar to those in the MN FIRST program. Once employers and employees complete the action plan and achieve injury and illness rates at or below the national average for their industry, they will become MN SHARP participants. Besides experiencing fewer injuries, businesses will have a one-year exemption from programmed MNOSHA inspections and will work closely with the OSHA consultation staff. Employers must maintain below average injury and illness rates to continue in the MN SHARP program. Large employers with exemplary safety programs and an LWDIR below their industry average may also qualify for the MN SHARP program if they are willing to mentor smaller employers.

Workforce Demographics. Minnesota's seasonally adjusted unemployment rate for May, 1994, is 3.5 percent, down from 4.2 percent in April and 5.2 percent one year ago. This is the lowest rate since January 1978 and is considerably lower than the national rate of 6 percent in May, 1994. The number of nonfarm wage and salary jobs in Minnesota is up 58,400 from one year ago; this is 20 percent greater than the 10-year average job increase. Construction experienced a 4.7 percent increase in new jobs in the past year. As the unemployment rate drops and the number of new workers in the workplace increases, the potential for more accidents and injuries increases. New and inexperienced workers are not always properly trained in the safest way to perform a task before being allowed to begin work, increasing the possibility of an accident occurring. Inexperienced workers make mistakes that can result in accidents and injuries. As the number of workers increases, the potential for injuries increases, resulting in higher injury rates.

Goal 1 : To identify and eliminate workplace hazards.

Objective 1 : To maintain a 3.7 Lost-Workday Case Incidence Rate through C.Y. 1999.

Measure 1 : Bureau of Labor Statistics' Lost-Workday Incidence Rate

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Lost Workday Case Incidence Rate (private-sector)						
Actual	3.7	3.8	N/A	N/A		
Target	N/A	N/A	3.7	3.7	3.7	3.7
Benchmark	3.8	3.8	N/A	N/A	N/A	N/A
Lost Workday Case Incidence Rate (public & private sectors)						
Actual	3.6	3.7	N/A	N/A		

DEFINITION :

"Lost-workday" cases are those injuries and illnesses that result in one or more "lost workdays," which include both days away from work and days of restricted work activity occurring after the day of injury or onset of illness. The lost-workday case incidence rate is a standard measure of safety in the workplace. The measure reflects the total number of lost-workday injuries and illnesses per 100 full-time equivalent employees (computed as the number of lost-workday cases divided by total hours worked, times 200,000).

RATIONALE :

Minnesota OSHA is charged with assuring, "so far as possible, every worker in the State of Minnesota safe and healthful working conditions." A low and decreasing lost-workday case incidence rate in Minnesota shows that, in response to Minnesota OSHA's efforts, workplaces are safe and becoming safer.

DATA SOURCE :

The U.S. Bureau of Labor Statistics provides annual updates to the Lost-Workday Case Incidence Rate for the country as a whole and each state. There is, however, a two year lag between the collection of the data and reporting the most current incidence rate. Data used to produce the incidence rate is collected through the BLS survey of OSHA 200 logs kept by employers.

DISCUSSION OF PAST PERFORMANCE :

In 1973, when the Legislature created Minnesota's OSHA program, the lost-workday incidence rate was 4.6 while the national average was 4.3. In 1985, when Minnesota OSHA satisfactorily met all criteria for a federally certified state OSHA program, the lost-workday incidence rate dropped to 3.3 with the national rate at 3.6. Minnesota's incidence rate rose to 3.6 in 1988 and has been relatively stable since then, ranging from 3.6 to 3.8, with the rate in 1994 equaling 3.7.

PLAN TO ACHIEVE TARGETS :

The department places significant emphasis on outreach to employers and employees in the state to make their workplaces safe. The department works with employers to create safe workplaces by targeting its inspection and consulting efforts to those businesses in high hazard industries, awarding grants to employers to make their workplaces safer, cooperating with the logging industry to make logging safer, and responding to employers inquiries about the occupational safety and health regulations. The department also improves safety through a vigorous, targeted compliance program that focuses on those industries and occupations -- such as construction, manufacturing, and utilities -- where injuries and illness are most prevalent and severe.

In 1996, the department announced two initiatives to improve workplace safety in Minnesota. The first, MN SHARP, focuses on providing incentives and support to smaller, high hazard employers to work with their employees to develop, implement and continuously improve their safety and health programs. The second, MN FIRST, focuses on improving workplace safety for employers with 100 or more employees with high rates of worker lost time injuries and illnesses through partnership with the state's OSHA compliance activity. Both initiatives rely on a cooperative effort in generating an "action plan" between the employer and OSHA.

OTHER FACTORS AFFECTING PERFORMANCE :

Potential changes in the Bureau of Labor Statistic's data collection process would affect the type and amount of data that is collected and reported. Considerable delays in reporting Minnesota and national BLS data results in "current year" data being published two years later (i.e., data for calendar year 1997 will not be available until late 1999 or early 2000).

Minnesota OSHA's annual inspections and consultations cover the workplaces of approximately 136,000 workers. This represents about 8.8 percent of the eligible population of OSHA covered workers. At that rate of coverage, it would take about 12 years to inspect the workplaces of all workers in the state where OSHA has jurisdiction. In reality, it would take much longer since reinspection of the most hazardous and non-compliant workplaces is necessary. Workplaces are reinspected for several reasons, such as: monitoring of the abatement of serious hazards; inclusion on federal OSHA's "high hazard" list; or the worksite is a large construction project with many phases and involvement of smaller subcontractors. The net effect is that some workplaces are routinely inspected while others, due to the low level of hazards, may never be inspected.

Economic prosperity usually brings a large number of inexperienced workers into workplaces. While that is an economic advantage, new workers are most at risk for injury because they are least familiar with work processes, procedures, and equipment.

Changes in industrial processes and technology also affect the objective. Introduction of new technology places everyone using that technology in the position of being inexperienced and at greater risk of injury. These changes can also introduce new hazards which were not previously encountered in that industry.

Changes adopted by federal OSHA affect the way Minnesota OSHA operates its program. For instance, Minnesota OSHA follows the lead of federal OSHA in penalty assessment for violations of OSHA standards. Such a change in penalty assessments will affect the number of contested citations and, therefore, the amount of resources diverted from compliance investigation to litigation.

- Goal 1** : To identify and eliminate workplace hazards.
- Objective 2** : To reduce by 40 percent, from C.Y. 1992, the number of fatalities in all industries under OSHA jurisdiction by C.Y. 2000.

Measure 1 : Percent change in occupational fatalities in industries under OSHA jurisdiction.

	<u>C.Y.1993</u>	<u>C.Y.1994</u>	<u>C.Y.1995</u>	<u>C.Y.1996</u>	<u>C.Y.1997</u>	<u>C.Y.1998</u>
Reduction in Work Fatalities						
Actual	-7%	-14%	-21%			
Target				-28%	-32%	-36%
OSHA Covered Fatalities						
Actual	26	24	22			
Target				20	19	18

DEFINITION :

OSHA covered fatalities means that the employer was required to report the fatality to MN OSHA and OSHA staff determined the fatality was within their jurisdiction and an accident investigation was performed. This measure is computed for the reporting period as follows: subtract from 28 (i.e., the total number of OSHA covered fatalities that occurred in 1992) the total number of OSHA covered fatalities for the subject year and then divide the result by 28 and then multiply by 100.

RATIONALE :

An important goal of the occupational safety and health laws is the elimination of work-related fatalities. This measure allows the department to monitor progress toward eliminating fatalities using the 28 fatalities in 1992 as the baseline.

DATA SOURCE :

The department maintains detailed computerized data on Minnesota's OSHA program. Data for this measure are drawn from the quarterly reports to the MN OSHA Advisory Council.

DISCUSSION OF PAST PERFORMANCE :

OSHA covered fatalities have decreased from over 70 per year at the beginning of the MN OSHA program in 1973 to 22 in 1995. This steady, dramatic decline is attributed to the cooperative efforts and increased safety awareness displayed by employers and employees and to the leadership, educational and enforcement efforts of OSHA programs.

PLAN TO ACHIEVE TARGETS :

The department sets occupational safety and health standards that employers must use in their workplace to assure it is safe and does not present hazards to health. The department uses compliance inspections and consultation visits to identify and abate safety and health hazards to prevent serious work injuries and work-related fatalities.

OTHER FACTORS AFFECTING PERFORMANCE :

Employers who fail to monitor employee use of safety equipment in hazardous industry and occupations and discipline infractions can lead to serious accidents and fatalities. One large catastrophic event could lead to unusual statistics for any given year. Economic conditions and full employment can affect the statistics because of the vulnerability of new employees to injury.

Goal 1 : To identify and eliminate workplace hazards.

Objective 3 : To abate 80 percentage of cited safety hazards within 30 days of issuance by F.Y. 1999.

Measure 1 : Percentage of cited safety hazards abated within 30 days of citation.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Prompt Safety Hazard Abatement Rate						
Actual	69%	63%	53%	72%		
Target					76%	80%

DEFINITION :

The department issues citations to employers for workplace hazards in violation of OSHA standards. Employers must abate most safety hazards within 30 days of the hazard being cited. Generally, these are hazards of traumatic injury that can be directly observed, such as inadequate machine guarding, lack of fall protection, electrical shortcomings, bad trenches, dangerous scaffolds, poor maintenance, etc. This measure is computed for the reporting period as follows: divide the total number of cited safety hazards abated within 30 days of the issued citation by the total number of safety hazard citations issued and then multiply by 100.

RATIONALE :

Elimination of safety and health hazards from the workplace is the major objective of Minnesota's occupational safety and health act. This measure helps the department monitor employer promptness at abating safety hazards in their workplaces.

DATA SOURCE :

The department maintains detailed computerized data on Minnesota's OSHA program. Data for this measure is drawn from the Minnesota OSHA's IMIS (Integrated Management Information System) database.

DISCUSSION OF PAST PERFORMANCE :

The objective of having at least 80 percent of serious safety citation abatements completed within 30 days of the inspection has not been met in previous years. This resulted from uneven monitoring systems which are critical to achieving this objective.

PLAN TO ACHIEVE TARGETS :

The department monitors employers' efforts to abate cited safety hazards within 30 days of the citation being issued. Employers failure to notify the department that a cited hazard has been abated results in the department contacting the employer to verify compliance. Failure to abate a safety hazard results in continued employee exposure and increased possibility of injury. Investigators are to negotiate the shortest realistic abatement date with employers. Each step of the paper and computer processing procedure will be evaluated to minimize delays.

OTHER FACTORS AFFECTING PERFORMANCE :

Some hazards require more than 30 days to complete abatement. For example, employers may need to develop detailed written programs or install machine guards that must be special ordered and fabricated.

Goal 1 : To identify and eliminate workplace hazards.

Objective 4 : To abate 80 percentage of cited health hazards within 60 days of issuance by F.Y. 1999.

Measure 1 : Percentage of cited health hazards abated within 60 days of citation.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Prompt Health Hazard Abatement Rate						
Actual	72%	79%	68%	74%		
Target					77%	80%

DEFINITION :

The department issues citations to employers for workplace health hazards in violation of OSHA standards. Employers must abate most health hazards within 60 days of the hazard being cited. Generally, these are hazards that can cause illness after long term exposure. The exposures must be measured with sophisticated instrumentation and frequently with laboratory analysis of samples. Examples of health hazards include noise, chemicals, gases, vapors, dusts, fumes, heat, and radiation. This measure is computed for the reporting period as follows: divide the total number of cited health hazards abated within 60 days of the issued citation by the total number of health hazard citations issued and then multiply by 100.

RATIONALE :

Elimination of safety and health hazards from the workplace is the objective of Minnesota's occupational safety and health act. This measure allows the department to monitor employer promptness in abating health hazards in their workplaces.

DATA SOURCE :

The department maintains detailed computerized data on Minnesota's OSHA program. Data for this measure is drawn from the Minnesota OSHA's IMIS (Integrated Management Information System) database.

DISCUSSION OF PAST PERFORMANCE :

The objective of having at least 80 percent of serious health citation abatements completed within 60 days of the inspection has not been met in previous years. This resulted from uneven monitoring systems which are critical to achieving this objective.

PLAN TO ACHIEVE TARGETS :

The department monitors employers' efforts to abate cited health hazards within 60 days of the citation being issued. Employers failure to notify the department that a cited hazard has been abated results in the department contacting the employer to verify compliance. Failure to abate a health hazard results in continued employee exposure and increased possibility of injury or illness. Investigators are to negotiate the shortest realistic abatement date with employers. Each step of the paper and computer processing procedure will be evaluated to minimize delays.

OTHER FACTORS AFFECTING PERFORMANCE :

Some complex abatement methods require more than 60 days to complete abatement. One example is ventilation systems that must be designed, fabricated and installed.

Goal 2 : To efficiently target and influence employer compliance with the Occupational Safety and Health Act.

Objective 1 : To increase to 70 percent of programmed inspections with identified hazards by F.Y. 1999.

Measure 1 : Percentage of programmed safety and health inspections with identified hazards.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Identified Safety Hazards Rate						
Actual	72%	69%	54%	48%		
Target					60%	70%
Identified Health Hazards Rate						
Actual	77%	74%	72%	65%		
Target					70%	70%

DEFINITION :

The department annually schedules hundreds of employers for routine occupational safety and health inspections. These inspections, commonly referred to as "wall-to-wall" inspections, focus on occupational safety and health within an employer's whole workplace. Minnesota OSHA identifies employers for scheduled inspections who are in those industries on federal OSHA's targeted industries list, are in hazardous industries, or have a high incidence of workers' compensation claims. Minnesota OSHA cites the employer for safety and health hazards identified during the inspection. This measure is computed, for the reporting period, as follows: divide the total programmed inspections conducted resulting in at least one cited hazard by the total number of programmed inspections conducted and then multiply the result by 100.

RATIONALE :

Federal and state resources to inspect Minnesota's nearly 90,000 workplaces are limited. Minnesota OSHA, like federal OSHA and other states, targets its compliance resources on those workplaces and industries that present the greatest threat to worker safety and health. This measure allows the department, employers, and others to monitor whether Minnesota OSHA is effectively targeting its regular, scheduled compliance inspections.

DATA SOURCE :

The department maintains detailed computerized data on Minnesota's OSHA program. Data for this measure is drawn from the Minnesota OSHA's IMIS (Integrated Management Information System) database.

DISCUSSION OF PAST PERFORMANCE :

There have been decreasing rates of non-compliance found in recent years from programmed inspections, especially in safety inspections. The methodology for identifying worksites to inspect, based primarily on the frequency of loss time injuries and illnesses, targeted larger worksites rather worksites with the highest incidence of lost-time injuries and illnesses. Data systems have been inadequate to determine the most hazardous workplaces for scheduling programmed inspections.

PLAN TO ACHIEVE TARGETS :

The department is improving its ability to more effectively identify employers for scheduled compliance inspections. Minnesota OSHA developed, with the cooperation of the department's workers' compensation program and the Minnesota Department of Economic Security, a better identification system that focuses on employers' incidence of workers' compensation claims. This new method for identifying employers for inspections is much more employee sensitive than previous methods, which simply relied on the volume of workers' compensation claims filed against an employer. The previous system, by its nature, targeted the largest employers. The new methodology identifies employers with a higher incidence of safety and health problems as evidenced by workers' compensation claims filed. The department will continue using federal OSHA's "high hazard" list of industries to schedule safety and health inspections. Federal OSHA also initiated a yearly data initiative to determine employers with the highest rate of injuries and illnesses. This data will be shared with the states to be used for inspection scheduling purposes. Federal OSHA also is placing high priority on developing and releasing new standards which address either new health and safety problems or old problems which have not been adequately addressed. The state MN First initiative is designed to go to workplaces where it is almost 100 percent sure hazards will be identified. Emphasis will continue on training of investigators to identify hazards.

OTHER FACTORS AFFECTING PERFORMANCE :

Standards development and release is largely controlled by federal OSHA. The hearing and comment period process can delay the release of standards. The federal OSHA data initiative is new and as yet unproven on how effective it will be regarding usefulness for scheduling.

Goal 2 : To efficiently target and influence employer compliance with the Occupational Safety and Health Act.

Objective 2 : To maintain worksite consultation visits with identified safety and health hazards at 90 percent through F. Y. 1999.

Measure 1 : Percentage of safety consultation visits with identified hazards.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Consultation Visits with Identified Hazards Rate						
Actual	98%	97%	90%	99%		
Target	90%	90%	90%	90%	90%	90%

DEFINITION :

The state provides onsite consultations, training/education, information and technical assistance to smaller businesses with high hazard workplaces. Services provided to businesses include (1) identifying any safety and health hazards in their workplaces, (2) controlling or eliminating the hazards successfully, (3) establishing or improving a workplace safety and health program, and (4) understanding all requirements of applicable federal and state laws and implementing regulations. This measure is computed, for the reporting period, as follows: divide the total consultation visits made that identify at least one citable hazard by the total number of consultation visits made and then multiply the result by 100.

RATIONALE :

Federal and State resources to provide safety and health consultation to Minnesota's nearly 90,000 employers are limited. Minnesota OSHA, like federal OSHA and other states, targets its consulting resources on those workplaces and industries presenting the greatest threat to worker safety and health. This measure allows the department, employers, and others to monitor whether Minnesota OSHA is effectively targeting its consulting resources to high hazard employers.

DATA SOURCE :

The department maintains detailed computerized data on Minnesota's OSHA program. Data for this measure are drawn from the Federal Consultation Activity Measures Report. Information for targeting smaller high hazard employers comes from federal OSHA administration and the state of Minnesota workers' compensation system.

DISCUSSION OF PAST PERFORMANCE :

Workplace Safety Consultation staff obtains requests for assistance from, and affords priority to, those employers with smaller businesses whose establishments pose the greatest risk of injury and illness to Minnesota workers. Onsite consultation visits are scheduled with highest priority to smaller highly hazardous businesses.

PLAN TO ACHIEVE TARGETS :

The department will continue to target small employers in high hazard industries for consultation visits. Minnesota workplace safety consultation uses a series of criteria to evaluate the appropriate level of service to provide an employer including employer satisfaction surveys.

The department is also developing collaborative relationships with high hazard industries through their associations and participation in conferences and outreach sessions.

The department's promotes workplace safety and health through (1) safety and health one day seminars, (2) participation in trade and business associations's annual safety and health events, (3) utilization of a speakers bureau (consultants make safety and health related presentations), and (4) mass mailings. When the agency promotes safety through mass mailings the lists of employers are selected from the department's workers' compensation data by employers with high lost workday injury rates and high worker's compensation premiums.

OTHER FACTORS AFFECTING PERFORMANCE :

N/A

Goal 3 : To be responsive to stakeholder concerns and needs.

Objective 1 : To respond 100 percent within 1-day of receipt of an imminent danger complaint/referral through F.Y. 1999.

Measure 1 : Percentage of imminent danger complaints with a 1-day response.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
1-Day Imminent Danger Response Rate						
Actual	100%	88%	93%	97%		
Target	100%	100%	100%	100%	100%	100%

DEFINITION :

The department responds to all reports of hazardous work situations. Minnesota OSHA responds to reports of imminent danger immediately. Within the context of the Occupational Safety and Health Act, imminent danger is a condition or practice in any place of employment which presents a substantial probability that death or serious physical harm could result immediately. This measure is computed for the reporting period as follows: divide the total number of imminent danger complaints responded to within one working day of the complaint being filed by the total number of imminent danger complaints filed with the department and then multiply by 100.

RATIONALE :

Among the departments many responsibilities for administering the Occupational Safety and Health Act is the duty to respond to complaints of hazardous work situations. Those situations that present an imminent danger to workers should be taken very seriously by this agency. The department and legislature, through this measure, can monitor whether Minnesota OSHA is responding promptly to reports of hazardous work situations posing an imminent danger to workers.

DATA SOURCE :

The department maintains detailed computerized data on Minnesota's OSHA program. Data for this measure is drawn from the Minnesota OSHA's IMIS (Integrated Management Information System) database.

DISCUSSION OF PAST PERFORMANCE :

The goal of 100 percent was met in one of the past four years. Since the number of imminent danger inspections totals less than 100 each year, extenuating circumstances on a few inspections can have a substantial affect on performance.

PLAN TO ACHIEVE TARGETS :

Minnesota OSHA routinely monitors its responsiveness to imminent danger complaints. Internal policies and procedures have been strengthened and are to be followed by program personnel when a complaint is filed with the department.

OTHER FACTORS AFFECTING PERFORMANCE :

Extenuating circumstances can occur which would delay an imminent danger inspection by one day (i.e., bad weather and availability of staff in the region).

Agency : LABOR AND INDUSTRY DEPT
Program : WORKPLACE SERVICES DIVISION
BACT : CODE ADMIN & INSPECTION SVS

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$1,388	1.25%
General	\$1,388	
Number of FTE Staff:	24	5.56%

GOALS :

- To assure public and workplace safety where boilers, pressure vessels, boats-for-hire, and hobby boilers are in operation. (M.S. 183.357-183.62)
- To assure that high pressure piping and ammonia systems are installed according to the State's installation code. (M.S. 326.46-326.52)

DESCRIPTION OF SERVICES :

Code Enforcement and Inspection Services (CAIS) is responsible for inspection and certification of all pressure vessels, excluding those specified in law, and for all installations of high pressure piping and ammonia piping systems. It is also responsible for supervising new construction, repair and alteration of boilers and pressure vessels and the inspection and licensing of boats-for-hire in Minnesota.

Minnesota's first laws requiring inspection and licensing of boilers were enacted in 1879. The reason for such regulation at that time was the many deaths being caused by boiler explosions. A single boiler explosion in 1878 caused the deaths of 18 people. As recent as 1993 a boiler explosion caused a death. Regulation of the installation of high pressure piping was established in 1937 with ammonia piping systems added to the law in 1989.

Types of pressure vessels subject to inspection and certification include both self-fired and unfired objects. Self-fired objects include steam boilers, hot water boilers, steam farm traction engines, hobby boilers, and engines. Unfired vessels include objects such as air compressor tanks, sand blasting tanks, waste heat boilers, certain types of air filters and separators. All pressure vessels and boilers operating in Minnesota must be certified at construction to be built to the American Society of Mechanical Engineers Boiler and Pressure Vessel (A.S.M.E.) Code. The A.S.M.E. Code is an internationally recognized standard for the construction of boilers

The department assures boiler and pressure vessel safety by certifying their operation through inspection, overseeing construction and repair and licensing boiler operators. Boiler operators must pass a written examination to qualify as an operating engineer and must renew the license annually. Inspections--which are conducted by agency personnel and insurers certified to sell such insurance in the state--are required by law to occur annually for boilers and biennially for pressure vessels. Manufacturers and repair organizations are reviewed tri-annually and certified to continue fabrication or repair of boilers and pressure vessels.

Boats-for-hire are annually inspected and certified to operate. Boats subject to inspection are over 20 feet in length and have over 50 horsepower motors. Cruise boats used for tours and fishing on inland waterways are the focus of this activity. The number of boats licensed each year varies according to the number of boats put into service by the owner. Boat pilots must pass a written examination and maintain a current pilot license to operate boats-for-hire in Minnesota.

High pressure and ammonia piping systems are required to be installed in accordance to the state's code for power piping systems. Contractors and pipefitters installing these systems are also required to be licensed to perform such work. High pressure piping systems include piping where the pressure exceeds 15 pounds per square inch (psi) and exceeding 250 degrees Fahrenheit, and high temperature and pressure liquid (i.e., water) piping where the pressure exceeds 30 psi. Such systems include central and district heating steam, hot water distribution piping away from a plant (i.e., boiler), and building heating piping.

The high pressure piping unit of CAIS issues installation permits, licenses contractors and pipefitters, inspects the installation of ammonia and high pressure piping systems, and revises the code for power piping systems. Installation permits are issued to licensed contractors. Contractors and pipefitters must pass a written examination to become licensed. Inspections of piping systems occur primarily during installation process. Inspectors may participate in a preliminary inspection with the contractor, design engineer, and building owner prior to actual installation to assure that installation plans are consistent with the code. In-process inspections are conducted during the installation phase of a construction project to check for proper licensure, installation of code-compliant material and equipment, welding procedures and certification of welders. Final inspections are conducted to certify that the piping system is ready for operation. Inspectors will witness hydrotesting of systems prior to approval. Survey inspections are also conducted to ascertain whether existing systems are in compliance with the state code, to identify any past or future modifications, and to identify possible new installations.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIAL YEARS (BY)

<u>Type</u>	<u>Based</u>	<u>Measure</u>	<u>1994-95</u>	<u>1995-96</u>
A	FY	Number of registered boilers	N/A	23,164

LABOR AND INDUSTRY DEPT**1996 Agency Performance Report**

A	FY	Number of licensed boiler operators on file	N/A	32,000e
A	FY	Number of boiler operator examinations given	N/A	4,489
A	FY	Number of registered pressure vessels	N/A	60,990
A	FY	Number of insured boilers and pressure vessels	N/A	40,000e
A	FY	Number of boilers and pressure vessels State inspected	N/A	13,600e
W	FY	Number of hobby boilers inspected	N/A	294
A	FY	Number of licensed hobby boiler operators	N/A	434
A	FY	Number of boats-for-hire on file	126	140
W	FY	Number of boats-for-hire inspected	126	124
A	FY	Number of licensed pilots	N/A	430
A	FY	Number of licensed contractors	298e	298
A	FY	Number of licensed journeyman pipefitters	2,101	2,132
W	FY	Number of permits issued to install piping systems	406	412
W	FY	Number of permit-based State inspections conducted	1,192	1,331
W	FY	Number of survey inspections conducted	348	336

PROGRAM DRIVERS :

Economic growth/business expansion. The economic growth and business expansion that results in the construction of commercial and industrial facilities and apartment buildings often cause an increase in the installation of boilers and high pressure piping. A primary use of boilers and high pressure piping is heating buildings, power plants, and industrial plants. Ammonia compressors and piping are used in cold storage and warehouses. Pressure vessels may be installed to assist in a production process such as cleaning parts.

American Society of Mechanical Engineers. Changes made to the ASME Boiler and Pressure Vessel Code or to the National Board of Boiler Inspectors Standards would necessitate comparable changes in the state's program. Boilers installed and used in must be built to the ASME standards, and must be repaired to the National Board of Boiler Inspectors' Standards.

Boiler maintenance. Boilers are considered 100 percent safe at the time of construction. It is the duty of all boiler operators and owners of boilers to maintain and operate the boilers in a safe, efficient manner. Poor maintenance of a boiler can eventually become a hazard to operators and to the public.

International trade agreements. When the United States executes a trade agreement such as the North American Free Trade Agreement (NAFTA) or the General Agreement on Trade and Tariffs (GATT), there is the potential for one or more provisions impacting the approved manufacturing standards for boilers and pressure vessels. The principal impact would be if foreign manufactured objects were allowed easier access to this country's market for boilers.

Insurance companies. Insurers are certified to inspect boilers and pressure vessels. There are approximately 125 inspectors responsible for 53,251 vessels. That represents 426 vessels per insurance company inspector. Failure to conduct inspections of boilers annually and pressure vessels biennially is one of the consequences of this workload.

Ban on use of Chloroflurocarbons (CFCs). In 1991 the federal government banned the manufacture, sale, and use of CFCs by 1994. Ammonia cooling systems are among the replacements being installed to replace

CFC-based refrigerant cooling systems. The trend is for owners of larger cooling systems, such as cold storage warehouses, to convert their operations to an ammonia cooling system.

Auto emission controls. Recent legislation mandating the addition of alcohol in gasoline to reduce auto emission pollution has resulted in the construction of numerous corn-based alcohol production plants in Minnesota. High pressure piping is a critically important part of the production plant. Owners, engineers, vendors, and contractors often request guidance on installation to assure it is made according to the state code.

Maintenance of existing systems. Owners of high pressure piping and ammonia piping systems must maintain them in order to assure their continued safe operation. Repair of systems may only be performed by licensed contractors or pipefitters who know and apply the state code. Replacement parts used by the owner or unlicensed contractor to repair the system may not be approved under the state code thereby putting workers and the public at potential risk of a rupture in the system.

Goal 1 : To assure public and workplace safety where boilers, pressure vessels, boats-for-hire, and hobby boilers are in operation.

Objective 1 : To reduce the incidence rate of violations per 100 inspected boilers to ____ per year by F.Y. ____.

Measure 1 : Recorded "violations" per 100 inspected boilers.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Violations per 100 Inspected Boilers						
Actual	N/A	N/A	N/A	N/A		
Target					N/A	N/A
Inspected Boilers						
Actual	N/A	N/A	N/A	N/A	N/A	N/A

DEFINITION :

Minnesota law requires that boilers operating within the state be inspected annually. These inspections can be performed by either state inspectors or insurers. The objective of these inspections is to assure that boilers operate safely -- in accordance with the state's boiler code. Violations of the code are noted and the owner is directed to correct the problem(s). This measure represents the incidence of violations per 100 inspected boilers. The incidence rate is computed for the reporting period by dividing the sum of violations by the sum of inspected boilers and multiplying the result by 100.

RATIONALE :

The incidence rate of code violations per inspected boilers is a proxy for measuring the safety of boilers. The annual incidence of boilers exploding or having an "incident" is quite rare. This measure is an excellent alternative to measuring the incidence of boiler explosions because it focuses on the safe operation of boilers as outlined in the state's boiler code.

This outcome measure is also an indicator of the effectiveness of the department's strategies for assuring boiler safety. These include: adopting and revising the state's boiler code; maintaining a record of all boilers operating in the state; testing and licensing all boiler operators in the state; and inspecting boilers for compliance with the code.

DATA SOURCE :

Data on registered boilers and boiler inspections are maintained separately by the department. The department's database of registered boilers includes a detailed profile of each boiler. It also provides the last date a boiler was inspected. The date of each boiler in inspection, however, is overlayed on top of the previous inspection date. In addition, there are no data on the results of boiler inspections nor any historical data on previous boiler inspections contained in this database. The department maintains data on boiler inspections, and their results, in paper files. (Note: This same situation exists with pressure vessels, boats-for-hire, and hobby boilers.)

DISCUSSION OF PAST PERFORMANCE :

Knowledge about past performance is unavailable. The department's current technology precludes monitoring the incidence of violations per inspected boilers.

PLAN TO ACHIEVE TARGETS :

The first step to achieving the department's objective is to replace the department's current boiler database management system with a more advanced system that allows the linkage of boilers to inspections, inspectors, and insurers. The department is proposing this change in conjunction with its overall plan to migrate from its 15-year old mainframe computer system to a more flexible system based on client server technology.

The second step to achieving the department's objective is to establish the current incidence rate, compare it to a known benchmark, and then set an appropriate objective.

The third step to achieving the department's objective is to manage the information and target inspections to those situations with higher incidence of violations.

OTHER FACTORS AFFECTING PERFORMANCE :

Insurers play an important role in the inspection of boilers and pressure vessels. They must report to the department the results of their inspections on boilers.

Goal 1 : To assure public and workplace safety where boilers, pressure vessels, boats-for-hire, and hobby boilers are in operation.

Objective 2 : To reduce the incidence rate of unlicensed boiler operators to _____ per 100 boilers by F.Y. _____.

Measure 1 : Recorded unlicensed boiler operators per 100 registered boilers.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Unlicensed Boiler Operators per 100 inspections						
Actual	N/A	N/A	N/A	N/A	N/A	N/A
Target					N/A	N/A
Unlicensed Boiler Operators						
Actual	N/A	N/A	N/A	N/A		

DEFINITION :

Minnesota law requires that boilers operating within the state be attended by a licensed boiler operator. The department issues boiler operator licenses for the different classes of boilers. The boiler operator must pass a standard examination and pay an annual fee to be licensed in Minnesota. Insurers and state boiler inspectors check boiler operators' licenses during boiler inspections. The objective of licensing boiler operators is to assure the safe operation of boilers -- in accordance with the state's boiler code. People operating a boiler without a license are told by inspectors they must obtain one to operate a boiler. The owner of the boiler is directed to correct the problem of operating a boiler without a licensed operator. This measure represents the incidence of unlicensed boiler operators per 100 registered boilers. The incidence rate is computed for the reporting period by dividing the sum of unlicensed boiler operators by the total registered boilers and multiplying the result by 100.

RATIONALE :

The incidence rate of uninsured boiler operators per registered boilers is a useful proxy for measuring whether boilers have sufficient, appropriate personnel to operate them safely. It will generally indicate whether competent, qualified individuals are operating boilers as required under state law and regulation.

DATA SOURCE :

The department maintains licensure records on boiler operators. Information on the qualifications of boiler operators, at the time of boiler inspections, is not however included in the historic record of a boiler. When this problem in data collection and maintenance is addressed by the department, this measure will then be computed. (Note: This same situation exists with boats-for-hire and hobby boilers.)

DISCUSSION OF PAST PERFORMANCE :

Knowledge about past performance is unavailable. The department's current technology precludes monitoring the incidence of unlicensed boiler operators.

PLAN TO ACHIEVE TARGETS :

The first step to achieving the department's objective is to replace the department's current boiler database management system with a more advanced system that allows the linkage of boilers to boiler operators, inspections, inspectors, and insurers. The department is proposing this change in conjunction with its overall plan to migrate from its 15-year old mainframe computer system to a more flexible system based on client server technology.

The second step to achieving the department's objective is to establish the current incidence rate, compare it to a known benchmark, and then set an appropriate objective.

The third step to achieving the department's objective is to manage the information and target inspections to those situations with higher incidence of unlicensed operators.

OTHER FACTORS AFFECTING PERFORMANCE :

Insurers play an important role in the inspection of boilers and pressure vessels. They must report to the department the results of their inspections on boilers.

Goal 2 : To assure that high pressure piping and ammonia systems are installed according to the State's installation code.

Objective 1 : To average 1.3 certification inspections per permit by F.Y. 1999. (Under Development)

Measure 1 : Average number of certification inspections per installation permit.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Ave. Certification Inspections per Permit						
Actual	N/A	N/A	N/A	N/A		
Target	N/A	N/A	N/A	N/A	1.3	1.3

DEFINITION :

Minnesota law requires the department to supervise all high pressure and ammonia piping installation in the state. The certification rate is computed for the reporting period as follows: (1) identify all installations certified to operate during the reporting period; and (2) divide the total number of certification inspections by the total number of installation permits.

RATIONALE :

No high pressure piping system, nor ammonia piping system, is approved to operate without the department certifying the installation was done according to the state code for power piping systems. The department adopted this code to assure high pressure piping systems will operate safely once turned on.

By measuring the average number of certification inspections per installed piping system, the department will be able to monitor the effectiveness of the many elements of the high pressure piping program. These elements include compliance with the code for power piping systems, licensing of contractors and pipefitters, obtaining permits to install these systems, and the schedule of inspections conducted by the department. When all of these elements are working together, the effect is a properly installed high pressure piping system requiring a single certification inspection.

DATA SOURCE :

Detailed data are collected and maintained by the department as part of a paper-based system. The data is not currently reported in any formal report.

DISCUSSION OF PAST PERFORMANCE :

Every installation permit that was issued received certification and approval for operation. Specific information on past performance, however, is unavailable. No data is systematically captured on this activity and entered into a computer for analysis.

PLAN TO ACHIEVE TARGETS :

The department conducts several inspections per individual installation permit. They include a consultation with the contractor before construction starts, one or more inspections during the installation phase depending on the size of the project, and a final inspection to certify the piping system for operation. The department plans to work cooperatively with the contractors at the start and throughout these projects to assure that piping systems may be certified at the time of a final inspection.

OTHER FACTORS AFFECTING PERFORMANCE :

Although one would assume that one installation permit should result in a single certification inspection, that may not occur on larger, more complex systems. The department's experience is that some installation permits may have multiple phases that result in several certification inspections on a single permit.

A primary factor affecting performance is the ability of contractors and pipefitters to follow the state's piping code when installing a high pressure or ammonia piping system. Contractors effectiveness at installing these systems is directly linked to the frequency and number of systems they install.

An additional factor is represented by the attempted use of non-licensed contractors for installation and modification of high pressure piping systems. This situation becomes a problem when a project was started prior to a pre-project consultation because the materials and craftsmanship may not be consistent with the state's piping code and require replacing or reworking of the previously installed pipes.

The size and complexity of piping systems represent a significant factor affecting performance. The bigger and more complex systems offer greater opportunities for systems to fail a certification inspection.

The number of permits issued to install piping systems are highly dependent on the economy and the building of commercial and industrial facilities. The number of inspections the department conducts during the installation phase of projects is linked to the number of available inspectors and the volume of projects being built.

Agency : LABOR AND INDUSTRY DEPT
Program : WORKPLACE SERVICES DIVISION
BACT : LABOR STANDARDS

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$530	0.48%
From Agency Funds	\$11	
General	\$519	
Number of FTE Staff:	10	2.36%

GOALS :

- To assure employer compliance with Minnesota's Fair Labor Standards Act, Child Labor Standards Act, and other employment laws. (M.S 177; M.S. 181; M.S. 181A)
- To provide accurate, timely prevailing wage determinations for public construction projects. (M.S 177.41 - M.S. 177.44)
- To assure that fee employment and entertainment agencies in Minnesota operate pursuant to State law. (M.S. 184; M.S. 184A)
- To provide interested persons information on Minnesota's employment laws. (M.S. 181)

DESCRIPTION OF SERVICES :

The Labor Standards Division assures employer compliance with several employment laws and assures that fee employment and entertainment agencies are licensed and operating in accordance with State law. Employment laws within its jurisdiction are: the Minnesota Fair Labor Standards Act (MFLSA); Child Labor Standards Act (CLSA); and miscellaneous employment laws such as employee access to personnel records, parenting leave, and prompt payment of wages.

The department principally investigates complaints alleging employer violation of Minnesota's Fair Labor Standards Act and Child Labor Standards Act. The MFLSA was enacted in 1973 to safeguard minimum wage and overtime standards for employment in Minnesota. The Child Labor Standards Act was likewise enacted in 1973 to aid in the economic and social development of young people through employment. The department has the authority to assess penalties on employers found in violation of these state laws.

The department is also responsible for determining the prevailing wage rates which must be included in State and local government bid documents for public building and road construction projects. The prevailing wage rates are determined by a survey of commercial and highway/heavy construction projects statewide. Contractors, labor organizations and other interested parties are surveyed to determine the largest number of workers in a class of labor (i.e., trade) paid the same rate in a given area. An "area" is defined as a county or an adjacent county. The result is the determined prevailing wage rate. Surveys are conducted once per year for highway/heavy construction projects and once every six months for commercial construction projects. Contractors awarded state-funded projects are required to pay the certified prevailing wage as determined by the survey.

Regulation of fee employment agencies and entertainment agencies is also a department responsibility. Principal activities of the division are issuance of licenses to fee employment agencies and their staffs; investigation of complaints; and examining the competency of individuals to manage such an agency. Fee employment agencies charge applicants and/or employers a fee to procure employment or find employees respectively. Search firms, which charge fees to employers, are excluded from the licensing requirements but must register with the department. Licensing of entertainment agencies, which procure engagements for musical artists, became a department responsibility in 1984.

The department acts as an information resource on Minnesota's employment laws. It provides public access to information on the rights of employees and obligations of employers under State employment laws. The department offers a continuously staffed telephone service in which inquiries of workers and employers about employment laws are answered. Brochures on laws pertaining to minimum wage, overtime, child labor, parenting leave, record keeping and age discrimination are available to the public, without cost. Department staff also give speeches, conduct seminars, and make presentations throughout the state on employment law issues to groups ranging from business associations to labor organizations.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIUM YEARS (BY)

Type	Based	Measure	1994-95	1995-96
A	FY	Employees covered by employment laws (est.)	2,509,000e	2,542,900e
A	FY	Complaints investigated	455	436
A	FY	Claims for final payment of wages investigated	107	114
A	FY	Inquiries from workers and employers (est.)	135,600e	143,000e
A	FY	Speeches and presentations made by staff	35	27
OD	FY	Inquiry rate (per 1,000 employees)	54.0e	56.2e
W	FY	Average number of investigations per investigator	65	62
W	FY	Average number of inquiries per investigator	9,660e	11,000e
A	FY	Number of contractors	5,808	5,700

LABOR AND INDUSTRY DEPT**1996 Agency Performance Report**

A	FY	Number of union locals	232	232
A	FY	Number of state and county officials	1,110	1,110
A	FY	Number of highway/heavy certifications issued	4,069	4,545
A	FY	Number of commercial construction projects	1,050	1,808
A	FY	Number of licensed fee employment agencies	28	18
A	FY	Number of complaints investigated	2	1
A	FY	Number of registered agency managers	497	33
A	FY	Number of registered counselors	58	30
A	FY	Number of registered search firms	277	312
A	FY	Number of licensed entertainment agencies	2	3

PROGRAM DRIVERS :

Minnesota Legislature. Legislators frequently respond to employment situations that confront constituents by proposing changes to employment laws. Recently enacted laws include parenting leave, personnel records, drug testing, and child labor work curfew. The department may be assigned responsibility to enforce or administer a law following its original enactment. An example of this is the 1994 assignment to enforce the personnel records law by investigating alleged violations and assessing fines.

Minnesota Fair Labor Standards Act. The Act covers all enterprises in the state and varies from the Federal Fair Labor Standards Act. Minnesota's law provides the same minimum wage for all employees whether adult or minors. Federal law allows the minimum wage to be 20 percent less for students. The second difference relates to the use of a "tip credit" which permits employers to pay tipped employees, such as restaurant wait staff, a subminimum wage. Minnesota prohibits this practice while the Federal government permits it.

Minimum wage. Periodic increases in the state's minimum wage are passed by the legislature. When such increases become law prior to a comparable increase in the Federal minimum wage, or to the extent the two minimum wages differ, this unit has the responsibility to enforce the variances in the laws. Enforcement of a State minimum wage that is higher than the federal minimum wage is the responsibility of this department. The U.S. Department of Labor is responsible for enforcing the federal minimum wage.

Contingent workforce. Part-time and temporary workers are increasingly being used by employers in several industries to make products and provide services. Use of such workers may permit employers to avoid providing employee benefits such as health insurance coverage, pensions, and various legally required benefits such as parenting leave.

Automated payroll systems. Computerized automated payroll systems are used by most employers to pay workers' wages and to keep track of tax and benefit deductions. Many employers use third-party vendors to perform this administrative function. Payment of wages under these systems occurs on a regular schedule which may be weekly, biweekly, or semimonthly. Such systems are incapable of making final payment of wages within 24-hours of a worker being discharged.

Employment of minors. Employment of minors has experienced tremendous growth over the past several years. A recent report of the U.S. Department of Health stated that the United States has more of its children in the work force than any other affluent country. Minor employees are the major source of non-skilled employees of the rapidly growing fast-food industry. The increasing number of single-parent families has caused many minors to work in support of the family.

Funding of road and public building construction. The level of federal, state, and local funds allocated to road and public building construction determines the number of actual projects subject to the prevailing wage.

Collective bargaining agreements. Unionized employers in the construction industry employ workers according to their respective collective bargaining agreements. The hourly rate of pay specified in an agreement frequently represents the prevailing wage for a given trade. Collective bargaining agreements which raise the hourly rate of pay tend to subsequently impact the prevailing wage for that trade.

Expansion of employment search and outplacement firms. Fee employment agencies, which charge workers for their service, are declining in numbers as more employment and executive search firms and outplacement firms are established. Executive and employment search firms work for employers with the purpose of locating qualified candidates for job openings. The cost of such searches are typically based on a percentage of the job's first-year compensation. Outplacement firms contract with employers who are cutting their workforce to provide impacted workers with a variety of services that will enable them to obtain replacement employment.

Employer compliance. Most employers comply with Minnesota's child labor laws, and wage and hour requirements. Those that do violate state law tend to fail to pay the minimum wage and overtime rates to employees. Others refuse to pay final wages owed to workers when the employment relationship ends. Inquiries from employees and employers regarding obligations of employers annually exceed 143,500 in voice mail and investigator contacts.

- Goal 1** : To assure employer compliance with Minnesota's Fair Labor Standards Act, Child Labor Standards Act, and other employment laws.
- Objective 1** : To complete 90 percent of investigations of employment law (e.g., MFSLA, CLSA, final payment of wages) complaints within 95 days of being filed by F.Y. 1999.
- Measure 1** : Percentage of investigations of alleged employment law (e.g., MFSLA, CLSA, final payment of wages) violations completed within 95 days of complaint being filed with DOLI.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
% Investigations Completed within 90 days						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					90%	90%
Complaints Filed/Investigated						
Actual	448	550	455	436		

DEFINITION :

Complaints filed with the department regarding violations of Minnesota's Fair Labor Standards Act, Child Labor Standards Act, and prompt payment of wages law require timely investigations, resolutions, and penalty assessments. The measure is computed as follows: for the reporting period, divide the total number of investigations completed within 95 days of the complaint being filed with the department by the total number of investigations completed and then multiply the result by 100.

RATIONALE :

This measure allows the department to gauge the promptness of investigations used to resolve employer violations of several Minnesota's employment laws. The department established 95 days from the filing of a complaint as an appropriate standard for completing investigations. The actual time it takes to complete an investigation is dependent on how quickly an employer provides the necessary records to determine whether a violation of law occurred.

DATA SOURCE :

The department maintains detailed computerized data on investigations. This measure needs to be derived from information available on the Open Investigative Report.

DISCUSSION OF PAST PERFORMANCE :

The department has experienced a significant decrease in the number of minimum wage violations due to no statutory increase since 1991. Overtime complaints have decreased by 10 percent.

PLAN TO ACHIEVE TARGETS :

The department's personnel responsible for investigating complaints is also responsible for responding to nearly 80,000 annual telephone inquiries. The department is currently reviewing its overall investigative procedures. Potential changes to existing procedures include allowing more input from employers, communicating immediately to interested parties that a complaint has been filed, corrective actions that should be taken, and then consider auditing for back wages.

OTHER FACTORS AFFECTING PERFORMANCE :

The primary factor affecting performance are employers and their willingness and/or ability to promptly respond to requests for records necessary to investigate the complaint. If an employer fails to provide the requested records in a timely manner, the investigation will be delayed.

A secondary factor is the volume of employment law inquiries handled by the department's labor standards personnel. When the volume of inquiries go up significantly, there is the potential for investigations to be delayed.

Goal 2 : To provide accurate, timely prevailing wage determinations for public construction projects.

Objective 1 : To issue 100 percent accurate prevailing wage rates through F.Y. 1999.

Measure 1 : Percentage of prevailing wage rates certified without being subsequently corrected.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
% Prevailing Wage Rate Certifications Accurate						
Actual	N/A%	N/A%	N/A%	96.6%		
Target	100%	100%	100%	100%	100%	100%
Prevailing Wage Rates Certified						
Actual	N/A	N/A	N/A	4,141		

DEFINITION :

The prevailing wage rates must reflect the statutorily computed wage rate for different classes of employment. The department computes prevailing wage rates for each class of employment. Public agencies and contractors bidding on public construction projects rely on the department's computation of prevailing wage rates. As such, this measure is computed for the reporting period as follows: divide the total number of prevailing wage certifications requiring no corrections by the total number of prevailing wage rate certifications issued and multiply by 100.

RATIONALE :

Public agencies and contractors rely on the accuracy of the department's prevailing wage determinations. This measure allows the department and interested parties to gauge the agency's effectiveness at computing prevailing wage rates.

DATA SOURCE :

Data on prevailing wage rate certifications is maintained by the department in paper records. Yet, the department does keep a count of prevailing wage rate certifications issued and a count of petitions appealing a certification with the resulting action noted.

DISCUSSION OF PAST PERFORMANCE :

Very few prevailing wage rate certifications are challenged. Of the few that are challenged, it is rare that a certification has to be corrected.

PLAN TO ACHIEVE TARGETS :

The department has several procedures in place to assure that data used to compute prevailing wage rates are accurate and will generate accurate rates.

OTHER FACTORS AFFECTING PERFORMANCE :

The number, timeliness, and accuracy of survey responses from employers, unions, and industry groups affect performance.

Goal 3 : To assure that fee employment and entertainment agencies in Minnesota operate pursuant to State law.

Objective 1 : To license 100 percentage of fee employment agencies through F.Y. 1999.

Measure 1 : Percentage of fee employment agencies with valid license. (under development)

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
% License Fee Employment Agencies						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	100%
Licensed Fee Employment Agencies						
Actual	25	26	17	18		

DEFINITION :

Employment agencies, and their employees, that charge a fee to individuals for finding them a job must be licensed by the State of Minnesota. The department issues licenses to fee employment agencies and registers agency managers and counselors. This measure is computed for the reporting period as follows: divide the total number of licensed fee employment agencies by the total number of known fee employment agencies. This measure is under development. The difficulty in developing this measure arises from establishing the known fee employment agencies which includes both licensed and unlicensed agencies.

RATIONALE :

This measure, if properly constructed, will allow the department and the fee employment agency industry to monitor fee employment agency compliance with Minnesota's licensing requirements.

DATA SOURCE :

The department maintains detailed computerized data on licensed fee employment agencies. Information on unlicensed fee employment agencies is not available.

DISCUSSION OF PAST PERFORMANCE :

The numbers of licensed fee employment agencies declined by 75 percent over the past several years. Yet, the department maintained a 100 percent licensure renewal rate of fee employment agencies for several years. License renewals typically occur within 30 days of their expiration date.

PLAN TO ACHIEVE TARGETS :

The department's licensure and renewal procedures assure that fee employment agencies comply with the state's licensing law. The department is moving from its mainframe computer to more localized computer technology which will allow the improvement of computer management information applications to support this activity.

OTHER FACTORS AFFECTING PERFORMANCE :

The number of fee employment agencies operating in Minnesota continues to decline. This decline in the number of fee employment agencies is accompanied by an increase in the number of employment search firms, who work for the employer, and outplacement firms, typically paid by employers to help laid off employees find new employment.

- Goal 3** : To assure that fee employment and entertainment agencies in Minnesota operate pursuant to State law.
- Objective 2** : To register and license 100 percentage of entertainment agency to operate by F.Y. 1999.
- Measure 1** : Percentage of known entertainment agencies registered and licensed to operate. (under development)

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
% Entertainment Agencies						
Registered/Licensed						
Actual	N/A%	N/A%	N/A%	N/A%		
Target					N/A%	N/A%
Registered/Licensed Entertainment Agencies						
Actual	1	2	2	3		

DEFINITION :

Statutorily defined entertainment agencies must be licensed by the department before they may operate in Minnesota. This measure is computed for the reporting period as follows: divide the total number of licensed entertainment agencies by the total number of known entertainment agencies. This measure is under development. The difficulty in developing this measure arises from establishing the known entertainment agencies which presumably includes both licensed and unlicensed agencies.

RATIONALE :

This measure, if properly constructed, will allow the department and the entertainment agency industry to monitor entertainment agency compliance with Minnesota's licensing requirements.

DATA SOURCE :

The department maintains data on entertainment agencies licensure. Information on unlicensed entertainment agencies is not available.

DISCUSSION OF PAST PERFORMANCE :

The department has had difficulty enforcing the licensure requirement under the law. County attorneys are reluctant to pursue compliance litigation in district court because of competing priorities. The qualifying entertainment agencies, as a result, appear free to disregard their statutory obligation to be licensed.

PLAN TO ACHIEVE TARGETS :

The department continues to encourage qualifying entertainment agencies to obtain a license to operate in Minnesota. The department has previously asked the legislature to repeal the entertainment agency licensure law first enacted in 1984, or provide clarification sufficient to make the law effective.

OTHER FACTORS AFFECTING PERFORMANCE :

The lack of statutory authority to intervene in disputes between artists and entertainment agencies results in agencies ignoring the authority of the department.

Goal 4 : To provide interested persons information on Minnesota's employment laws.

Objective 1 : An objective for customer access to employment law information is under development.

Measure 1 : The measure for customer access to labor standards and employment law information is under development.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Customer Access to Employment Law Information (000)						
Actual	70e	83e	85e	143.5e		

DEFINITION :

The department is the State's information resource on Minnesota's labor standards and employment laws. This measure, when developed, will use data that links individual attempts at accessing labor standards information with their actual contact with the department. Examples of potential measures are: 1) the percentage of attempted contacts that never get their call answered by the department because the caller hung up (i.e., the dropped call rate); 2) the percentage of telephone callers waiting longer than the standard wait to get the call answered; and 3) some other type of measure that gauges customer satisfaction with access to information.

RATIONALE :

Agency personnel handle over 70,000 individual inquiries on Minnesota's labor standards and employment laws. Most of the inquiries come from workers, employers, and attorneys. This measure will, when developed, allow the department and legislature to monitor the agency's ability to provide reliable, efficient access to labor standards and employment law information.

DATA SOURCE :

The department has no current source of data for this objective and measure.

PLAN TO ACHIEVE TARGETS :

With over 70,000 inquiries being handled by a professional staff of seven, the department has made several efforts in the past to improve access to labor standards and employment law information. The department installed an automated telephone information service and Internet home page (www.doli.state.mn.us) to answer frequently asked questions. The department also upgraded the phone system in 1996 to better serve its customers.

Beyond these specific strategies, the department is developing a customer service plan for responding to inquiries that balances against the labor standards enforcement responsibilities of the agency. Included in this plan is the development of performance measures for access to labor standards and employment law information.

OTHER FACTORS AFFECTING PERFORMANCE :

New employment laws or changes to Minnesota's labor standards and employment laws by the legislature increases the volume of inquiries to the department for information. A simple hike in the state's minimum wage increases the volume of attempted inquiries with the department.

Questions on employment laws are situation specific and many times the general answers on the automated telephone system are not sufficient to satisfy some callers, requiring additional individual assistance.

Agency : LABOR AND INDUSTRY DEPT
Program : WORKPLACE SERVICES DIVISION
BACT : APPRENTICESHIP PROGRAMS

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$671	0.61%
From Federal Funds	\$15	
General	\$656	
Number of FTE Staff:	10	2.39%

GOALS :

- To expand apprenticeship opportunities for youth and adults that provide employers with trained workers. (M.S. 178)
- To increase the diversity of registered apprentices. (M.S. 178)
- To maintain the relevance and quality of registered apprenticeship programs. (M.S. 178)

DESCRIPTION OF SERVICES :

Apprenticeship training is a formal system of employee training that combines on-the-job training with related technical instruction. It is designed to produce craftworkers who are fully competent in all aspects of an occupation including knowledge, skill and proficiency on the job. Apprenticeship programs are voluntarily sponsored by employers at their own expense and are equally relevant in union and non-union environments. The purpose is to ensure that the work experience and technical education of apprentices meet the needs of Minnesota's employers.

The 1937 Federal Apprenticeship Act authorized the Secretary of Labor to formulate and promote the extension of labor standards necessary to safeguard an apprentice. The Minnesota legislature subsequently established the Division of Voluntary Apprenticeship in 1939 to promote and administer the state's apprenticeship program.

- The department is charged with approval and administration of apprenticeship programs to ensure that recruitment, selection, employment and training of apprentices is without discrimination due to race, color, religion, national origin, sex or age.

LABOR AND INDUSTRY DEPT**1996 Agency Performance Report**

The department provides technical assistance to employers interested in apprenticeship by promoting, marketing and certifying apprenticeship programs. Up-to-date information is provided to prospective employers to ensure quality program standards. Increased participation of women and people of color is promoted and strongly encouraged. Employers, as a result, offer high-skilled training to their employees that results in a portable certification to their apprenticeship graduates.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIUM YEARS (BY)

<u>Type</u>	<u>Based</u>	<u>Measure</u>	<u>1994-95</u>	<u>1995-96</u>
A	FY	Active apprentices	3,496	4,116
A	FY	Active minority and female apprentices	482	573
A	FY	New apprentices enrolled	1,499	1,895
A	FY	Graduating apprentices	635	650
UC	FY	Average state cost per apprentice	\$149	\$126
A	FY	Active apprenticeship sponsors (approved standards)	320	422
W	FY	New apprenticeship standards approved	41	37
W	FY	Existing apprenticeship standards revised	46	55
W	FY	Compliance reviews conducted	46	118
W	FY	Supervisory visits conducted	110	237

PROGRAM DRIVERS :

Prevailing wage projects. Federal and state laws prescribe certain requirements which must be present in all bids by contractors for federal- and state-funded construction projects. Apprentices working on such projects must be registered with this agency if they are to be paid less than the established prevailing journeyworker wage.

Equal opportunity employment. Obstacles to employment caused by discrimination on the basis of race, gender, color, national origin or for other reasons are illegal in Minnesota and the nation as a whole. Federal civil rights laws and Minnesota's Human Rights Act have been passed, in part, to assure equal opportunity for employment. The Minnesota Plan for Non-Discrimination in Apprenticeship was adopted in 1972 and sets forth policies and procedures to promote equality of opportunity in apprenticeship programs registered with the state.

Non-traditional occupations/industries. Traditional apprenticeship programs focus on training workers into the construction trades (i.e., carpenter, pipefitter, etc.) and industrial occupations (i.e., machinist). Non-traditional apprenticeship programs tend to be in non-construction trades - creating additional opportunities for participation by workers in registered apprenticeships which lead to employment in occupations providing a living wage and upward mobility. Non-traditional programs can be found in service industries, manufacturing,

health care, finance, professional/technical and transportation industries. Women and people of color are often the beneficiaries of these added opportunities.

School-to-work transitions. School-to-work legislation at the state and federal levels have increased the awareness of the need for youth apprenticeship opportunities for high school students. The need for facilitating a student's transition from school to the world of work was emphasized in a 1991 federal report. This report, among others, identified the problem non-college-bound students have when attempting to make the transition to employment. Youth apprenticeship allows young people to explore potential occupations and apply academic principles while attending school. The department has, by legislative authority, begun to develop, approve and register youth apprenticeship training sites as well as indenture youth in the 11th and 12th grades throughout the State.

Employment of veterans. Veterans in apprenticeship programs may receive financial assistance as part of their educational benefits if the program is approved by the department. The Veteran's Administration also requires on-the-job training (OJT) programs to be approved by the state. These programs tend to be in occupations which are not considered apprenticeable trades. Rather, they are entry-level training situations which train veterans in shorter length training situations and which do not meet the requirements for apprenticeship.

Local government. Local government ordinances requiring contractors to have a registered apprenticeship program caused some employers to seek approval of an apprenticeship program solely to obtain contracts in the municipality as opposed to training quality employees. Apprenticeship was originally established to ensure a quality workforce through proper on-the-job training in conjunction with related instruction at approved educational institutions. These ordinances require contractors to have a registered apprenticeship program in order for their apprentices to obtain a competency card which then allows journeyworkers to perform their trade within the city limits of the municipality. The requirement has forced many employers, as a result, to seek apprenticeship registration. Some employers have agreed to the requirements and then provided limited training to apprentices.

Organized labor. Among the strongest supporters of apprenticeship programs are the building trades unions. They sponsor joint labor-management apprenticeship programs with contractors to assure that new journeyworkers are competent, qualified people. An important objective is protection of appropriate apprenticeship training standards established for individual construction trades.

Goal 1 : To expand apprenticeship opportunities for youth and adults that provide employers with trained workers.

Objective 1 : To increase the number of active, registered adult apprentices by 5 percent annually through F.Y. 1999.

Measure 1 : Percent annual increase in active, registered apprentices.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Registered Apprentices Growth Rate						
Actual	-11.1%	-3.7%	11.8%	15.0%		
Target	N/A%	N/A%	5.0%	5.0%	5.0%	5.0%
Active, Registered Apprentices						
Actual	3,201	3,083	3,496	4,116		

DEFINITION :

Apprenticeship training is a formal system of employee training that combines on-the-job training and related technical instruction. It is designed to produce journey-workers who are fully competent in all aspects of an occupation including knowledge, skill and proficiency on the job. With apprentice training, there is a written contract between the apprentice and the employer and approved and registered with the department. The agreement specifies the length of the training, school hours, an outline of the skills of the trade or occupation to be learned and the wages the apprentice will receive. This program allows employers to implement an apprenticeship program that provides apprentices with the specific skill training and job-related theory tailored to a company's needs. The registered apprentices growth rate is computed for the reporting period as follows: 1) subtract the previous year's number of registered apprentices from the most recent year's number of registered apprentices; 2) divide the result by the previous year's number of registered apprentices; and 3) multiply the result by 100.

RATIONALE :

The total number of registered apprentices indicates a company's commitment to quality training of its employees. It is also an indicator of how well the companies who presently have registered apprenticeship programs are doing economically. Companies in an expansion mode typically hire more apprentices during good times and hire less apprentices during slow times. Most often employers will attempt to continue apprentices' employment even during the slow times because they know cycles come and go. This measure allows the department to monitor progress toward expanding apprenticeship opportunities.

DATA SOURCE :

The department maintains data on apprentices in the agency's computer system. Information on participation is reported monthly, along with graduation rates, to the Minnesota Apprenticeship Advisory Council. Fiscal year data is derived from the monthly reports at the conclusion of the year. The report does not have any official name or title. (Note: The source of data for this report will change within the next biennium as the department develops a new information system for the division of apprenticeship.)

DISCUSSION OF PAST PERFORMANCE :

Currently there are in excess of 4100 apprentices registered to over 400 sponsors (employers). This increase is primarily due to a healthy economy in Minnesota. In addition employers are developing a renewed commitment to training their employees.

The department has been more involved in non-traditional areas of the job market and have found an interest from employers who in the past did not consider training their employees through a registered apprenticeship program. The department is getting more requests for information via an increased interest and attention given to youth apprenticeship programs and the positive effect the discussion is having around the state. Employers seem to be getting information about apprenticeship from areas the department has never been able to access in the past...the media, both written and tv, the governor's office, school districts, etc.

PLAN TO ACHIEVE TARGETS :

The department will continue to promote apprenticeship to employers conducting business in non-traditional occupational areas. To that end, new promotional materials will be developed and distributed to chamber of commerce directors, trade associations, health associations and other groups. The material will stress the importance of registered apprenticeship as a way to systematically and sequentially train entry-level employees to become productive journeyworkers.

In addition to written materials, the department will continually update and promote apprenticeship information on the Internet.

OTHER FACTORS AFFECTING PERFORMANCE :

Apprenticeship training has historically been perceived as a union-only training program. This is changing as more employers seek information on apprenticeship and they see that the program applies to non-union as well as union training programs.

Economic conditions have a significant effect on registered apprentices' employment. During good times apprentice numbers increase, while during slow economic times there is an equally bad effect on employment in general and in apprenticeship in particular.

- Goal 1** : To expand apprenticeship opportunities for youth and adults that provide employers with trained workers.
- Objective 2** : To increase the number of active, registered youth apprentices by 20 percent annually through F.Y. 1999.
- Measure 1** : Percent annual increase in the number of active, registered youth apprentices.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Youth Apprentice Growth Rate						
Actual	N/A%	N/A%	1,400%	147%		
Target					20%	20%
Active, Registered Youth Apprentices						
Actual	N/A	2	30	74		

DEFINITION :

In 1993, a department initiative received funding to increase the participation rate of women and minorities in apprenticeship programs and to pilot a model youth apprenticeship training program. Youth apprenticeship is an employer-school-based partnership that integrates academic instruction, formal job training and paid work experience and is offered to students in the 11th and 12th grades. The registered youth apprentice growth rate is computed for the reporting period as follows: 1) subtract the previous year's number of registered youth apprentices from the most recent year's number of registered youth apprentices; 2) divide the result by the previous year's number of registered youth apprentices; and 3) multiply the result by 100.

RATIONALE :

This measure allows the department, legislature, and the Minnesota Apprenticeship Advisory Council to monitor the agency's implementation of the 1993 apprenticeship initiative and progress toward expanding apprenticeship opportunities for Minnesota's high school students.

DATA SOURCE :

Presently, the records for registration are being stored on a File Pro system. As the old apprentice registration computer application (MAPPER) is replaced, youth apprentices registration will be integrated into a computer database with adult apprentices.

DISCUSSION OF PAST PERFORMANCE :

Early development and discussion of Youth Apprenticeship Standards dates back to 1990. It was not until 1993 that the first youth apprentice was registered as a machine operator at a machine shop in Circle Pines. During the next year educators and employers further developed a set of acceptable standards. These standards are similar to the Minnesota Minimum Standards of Apprenticeship which have been used by the department since the 1970's. One major difference is the increased emphasis on safety for youth apprentices. Upon completion and final adoption of the standards, numerous school districts and employers began looking at the youth standards as a credible and useful tool in ensuring youth apprentices will be properly and safely taught most entry-level aspects of the sponsor's business or industry.

Since the first apprentice was registered there have been 74 youths hired as youth apprentices utilizing the Standards for Youth Apprenticeship. Likewise, since the first sponsor hired the first youth apprentice, there have been 47 other companies registered as official sponsors of youth apprenticeship training.

PLAN TO ACHIEVE TARGETS :

Under a collaborative agreement with Department of Children, Families, and Learning (CFL), sponsors must identify the type of work the youth will be required to perform on the job and what type of related school-based instruction will correspond to that particular occupation. If the training required to learn the basic skills of the occupation is determined to be less than 2000 hours in length, the CFL will consider the program for an internship, or one of the many other school-to-work programs.

The department will continue to collaborate with CFL, school districts and current youth apprenticeship sponsors. This collaboration will ensure technical assistance being available, in a timely manner, on an as-needed basis to ensure maintaining the quality of the youth standards.

OTHER FACTORS AFFECTING PERFORMANCE :

Historically the department has been perceived as an agency that only registered unionized apprenticeship sponsors. The perception has been difficult to overcome from the beginning. The department has dealt with this issue and is confident that the companies becoming sponsors are mostly concerned with good quality training experience. However, if there is a union present at the particular sponsor's establishment, the union membership is required, by law, to be at the table to assist in the development of the youth apprenticeship program.

Other issues which are hindering registration of youth apprentices is parents misunderstanding about the program. Some parents do not wish their son or daughter to be tracked into a factory, or "dead-end job," without the possibility of attending college. While this is a legitimate concern for certain careers, some journey workers receive relatively high wages for the skills they learned as an apprentice.

Good marketing campaigns regarding youth apprenticeship programs to schools, parents and employers will, in the future, overcome most perceptions about this effort to bridge the transition between school and work.

Goal 2 : To increase the diversity of registered apprentices.

Objective 1 : To achieve 20 percent completion rate of women and people of color in registered apprenticeships by F.Y. 1999.

Measure 1 : Percentage of women and people of color completing a registered apprenticeship.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Women/Minority Graduation Rate						
Actual	9.4%	10.6%	15.7%	12.9%		
Target	N/A%	N/A%	N/A%	N/A%	15%	15%
Women/Minority Apprentice Graduates						
Actual	81	76	100	84		
Total Apprentice Graduates						
Actual	856	713	635	650		

DEFINITION :

Measuring the rate of participation of women and persons of color demonstrates their actual share of active, registered apprentices in Minnesota's program. Through this measure, the department and others can monitor the program's progress toward registering more women and persons of color into training programs that lead to journey status in well-paying occupations. The graduation rate is computed for the reporting period as follows: divide the total number of women and minority graduates by the total graduates in the state system and then multiply the result by 100.

RATIONALE :

Measuring the rate of participation of women and persons of color demonstrates their actual share of active, registered apprentices in Minnesota's program. Through this measure, the department and others can monitor the program's progress toward registering more women and persons of color into training programs that lead to journey status in well paying occupations.

DATA SOURCE :

The department maintains data on apprentices in the agency's computer system. Information on participation is reported monthly, along with graduation rates, to the Minnesota Apprenticeship Advisory Council. Fiscal year data is derived from the monthly reports at the conclusion of the year. The report does not have any official name or title.

DISCUSSION OF PAST PERFORMANCE :

There are over 600 apprentice graduates each fiscal year. Less than 15 percent of the apprentices are women and people of color. Through the department's focus on equal employment opportunity compliance reviews, participation rates are increasing. Over the past two years, the department has worked closely with the local community based organizations to promote and provide apprenticeship opportunities for their clients, the vast majority of whom are minorities and women.

PLAN TO ACHIEVE TARGETS :

The department promotes and emphasizes the importance of apprenticeship to the general community, program sponsors, organizations serving women and people of color, women's groups, employment and training providers, and union locals. The department also recruits women and minority owned businesses to establish and register an apprenticeship program. The emphasis will be on ensuring opportunities for individuals to work in their respective communities. Non-traditional occupations and industries will be identified and targeted for establishment of apprentice training programs where women and people of color may participate in larger numbers. The department also manages the Labor Education Assistance Program (LEAP), a community-based grant program, that focuses on recruiting women and people of color into apprenticeship opportunities.

OTHER FACTORS AFFECTING PERFORMANCE :

Participation in an apprenticeship program is voluntary. When making a decision to become an apprentice, people look upon the decision as a career move and generally intend to make a lifetime commitment to the work.

Approximately 70 percent of registered apprentices are working in the construction industry. Working conditions are often physically demanding, frequently outdoors, and hazardous. Few women and people of color have historically been employed in these occupations.

Significant fluctuations in participation rates can be caused by unique situations and types of apprenticeship opportunities. Typically these situations arise with a single purpose apprenticeship program designed to address an employer's short-term need for additional employees.

The health of the national and state economy dictates, to a large degree, the number of apprenticeship opportunities available in Minnesota. Employers attempt to rely on those workers already employed when they retrench during recessions or declines in the economy or that industry. The consequence of such decisions are fewer apprenticeship opportunities.

Goal 3 : To maintain the relevance and quality of registered apprenticeship programs.

Objective 1 : To maintain active, registered apprenticeship standards that are 100 percent current through F.Y. 1999.

Measure 1 : Percentage of active, registered apprenticeship standards approved or revised in previous five years.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Apprenticeship Standards Up-to-Date						
Actual	N/A%	N/A%	N/A%	95%		
Target					100%	100%
Apprenticeship Standards						
Actual	285	301	320	422		

DEFINITION :

Apprenticeship standards articulate the parameters of an employer's or sponsor's apprenticeship program. It provides details on all aspects of a worker's apprenticeship with an employer or sponsor including the schedule of wage increases, the number of hours in classroom training, and the skills to be mastered. This measure is computed for the reporting period by dividing the total number of active, registered apprenticeship standards by the number of active, registered apprenticeship standards approved or revised in the previous five years.

RATIONALE :

Apprenticeship training must meet the needs of both employers and workers. Employers need skilled employees able to efficiently and effectively produce a product or provide a service. Workers need up-to-date, marketable skills that allow them to make a living wage. Measuring the percentage of apprenticeship standards approved or revised within the past five years demonstrates whether apprenticeship opportunities are current and up-to-date in their training activities and wage schedules. By monitoring this measure, people will be able to determine whether apprenticeship standards are being kept current.

DATA SOURCE :

The department maintains data and information on apprenticeship standards in the agency's computer system.

DISCUSSION OF PAST PERFORMANCE :

The department, in cooperation with employers and other sponsors of apprenticeship standards, is making progress toward assuring that 100 percent of apprenticeship standards have been adopted, revised, or reviewed within the previous 5 years. At the end of Fiscal Year 1996, 95 percent of active, registered apprenticeship standards were considered to be current.

PLAN TO ACHIEVE TARGETS :

Apprenticeship standards are generally kept current by the sponsors. Approximately 25 percent of the active, registered apprenticeship standards are adopted or revised annually. The department conducts on-site supervisory visits to evaluate whether apprentices are receiving the training and wages outlined in the approved apprenticeship standard. The top priorities for supervisory visits are those sponsor's apprenticeship standards that have not been adopted or revised in the previous four years - thereby assuring the apprentice training is up-to-date and relevant to the worker.

OTHER FACTORS AFFECTING PERFORMANCE :

N/A

- Goal 3** : To maintain the relevance and quality of registered apprenticeship programs.
- Objective 2** : To maintain average graduate-level apprentice hourly wage at 150 percent of the Statewide Average Weekly Wage through F. Y. 1999.

Measure 1 : Average % graduate-level apprentice hourly wage of SAWW.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
% Graduate Hourly Wage of SAWW						
Actual	N/A%	156.0%	158.4%	158.4%		
Target	N/A%	150%	150%	150%	150%	150%
Graduate Ave. Hourly Wage						
Actual	\$N/A	\$19.16	\$20.00	\$20.75		
Statewide Ave Hourly Wage						
Actual	\$12.28	\$12.30	\$12.63	\$13.10		

DEFINITION :

A primary purpose of Minnesota's voluntary apprenticeship program is to promote employment opportunities that provide adequate training and reasonable earnings. Approval of apprenticeship standards is conditioned upon hourly rates being based on prevailing hourly wage rates for specific trades, or the apprenticeship agreement wage rate on file with the department.

The average hourly wage rate for graduate apprentices is computed by adding together the journeyworker hourly rate for each graduate apprentice and then dividing that sum by the total number of graduate apprentices. The statewide average hourly wage rate is computed by dividing the annual statewide average weekly wage rate by the tradition 40-hour work week. The percentage is then computed by dividing the average graduate apprentice hourly wage rate by the statewide average hourly wage rate.

RATIONALE :

The average hourly wage rate paid to graduate apprentices, in comparison to statewide average wages, is a good indicator of whether the apprenticeship program is fulfilling the statutory goal of providing workers reasonable earnings. This measure allows the department and others to monitor changes in the journeyworker wage rates against the backdrop of wage changes occurring within the state as a whole.

DATA SOURCE :

The department maintains detailed computerized data on apprentice wages. The data is filed with the department as part of each apprentice indenture agreement and remains on file in the apprenticeship office. It is also entered into the department's computer system. A summary report of apprenticeship wage information is produced annually and presented to the Minnesota Apprenticeship Advisory Council.

The statewide average weekly wage is developed by the Minnesota Department of Economic Security for use in computing the maximum weekly benefit amounts in reemployment compensation and workers' compensation.

DISCUSSION OF PAST PERFORMANCE :

The average graduate apprentice hourly wage rates continue to exceed 150 percent of the statewide average hourly wage.

PLAN TO ACHIEVE TARGETS :

In the current economic environment, the objective is being met. The department will continue monitoring employers' apprentice wage schedules - which lead to higher journeyworker wages - during supervisory visits to guard against slippage.

OTHER FACTORS AFFECTING PERFORMANCE :

Historically, wages have been a contested part of apprenticeship agreements. Non-union construction employers have traditionally resisted the use of prevailing hourly wage rates in their apprenticeship agreements. They prefer to use their own system which takes into account what the owner perceive the individual worker is worth to the company.

With over 70 percent of apprentices employed in construction trades, wage increases are highly dependent on collective bargaining agreements between the building trade unions and the appropriate industry contractors.

An economic recession has the potential to reduce or significantly slow wage growth for apprentices and journeyworkers. Employers are more inclined to cut wages or provide no increases when their sales are reduced because of slower demand for their products or services.

Agency : LABOR AND INDUSTRY DEPT

Program : GENERAL SUPPORT DIVISION

BACT : AGENCY ADMINISTRATION

MACT : INVESTIGATIVE SERVICES

EXPENDITURES AND STAFFING :

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$524	0.47%
From Special Revenue Funds	\$524	
Number of FTE Staff:	11	2.53%

GOAL :

- To refer workers' compensation fraud cases to local prosecuting authorities. (M.S. 175.16, Subd. 2)

:

DESCRIPTION OF SERVICES :

The Investigative Services unit is a criminal investigative agency within the Minnesota Department of Labor and Industry. It conducts criminal investigations of alleged fraud in Minnesota's workers' compensation system and presents cases for prosecution to county attorneys throughout the state.

The unit was created by the 1992 Legislature as part of a larger workers' compensation reform initiative. At the time it was formed, there had never been a criminal prosecution for workers' compensation fraud in Minnesota. The unit received permanent funding and became fully operational in 1995. Over 100 cases have been referred to county attorneys for prosecution.

The unit investigates allegations of fraud committed by claimants, insurers and their agents, employers, health care providers and other service professionals (such as attorneys and qualified rehabilitation consultant). Perjury, forgery, theft and conspiracy are the principal focus of investigations. Training employers and insurance company adjusters in methods for preparing cases and conducting preliminary investigations of alleged fraud is one of the strategies used to help minimize fraud. Outreach services are also provided to employer groups, insurance groups, employee organizations, the bar association, and other professional organizations (i.e., County Attorney Association).

The unit was created because of the perception that there was a substantial amount of fraud and abuse in the workers' compensation industry. National and local media exposure of fraudulent workers' compensation

activity alerted the public and the legislature to the problem. Insurance industry experts from the National Council of Compensation Insurance and the National Insurance Crime Bureau have estimated that there may be an element of fraud in 10 to 20 percent of all workers' compensation claims. It is difficult to place a number on fraud activity within Minnesota's system because only those complaints referred to the unit are identified.

BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIUM YEARS (BY)

Type	Based	Measure	1994-95	1995-96
A	FY	Total intakes and complaints	519	405
A	FY	Information-only complaints	110	137
A	FY	Referrals to third parties (insurers, Special Compensation Fund)	14	10
A	FY	Complaint unfounded/unable to verify	90	42
A	FY	Referrals to prosecuting authority	60	45
A	FY	Fraud referral prosecution declined	11	25
A	FY	Fraud referrals charged	26	16
A	FY	Fraud convictions	12	8
W	FY	Average number of cases per investigator	103	116
UC	FY	Cost per referral to prosecuting authority	\$5,783	\$4,867
OD	FY	Average number of weeks per referral to prosecution	16.7	18.7

PROGRAM DRIVERS :

Contingent workforce. The increase in employer use of temporary employment - which does not require provision of medical, pension, or other employee benefits - fosters an environment where workers may view workers' compensation as a way of obtaining treatment and medical expenses.

Corporate restructuring. When employers cut their workforces or close facilities such as manufacturing plants, there is a dramatic increase in the number of claims filed or reopened for workers' compensation. The possibility for fraudulent claims being filed as a result of people attempting to replace a constant source of income is present.

False claims. Claimant fraud takes many different forms. They include people who:

- are reluctant to return to work when they can continue receiving two-thirds of their average weekly wage, tax free;
- claim non-work injuries as work-related in order to receive wage-replacement benefits and to avoid paying health care deductibles and co-pays;

- work at another job or for cash, collect unemployment or human services benefits, or work more than one job under assumed names while receiving workers' compensation benefits; and
- fabricate fictitious claims.

Health care cost control. Health Maintenance Organizations (HMOs), Medicare, health care reform, and the department's fee schedule, certified managed care rules, and treatment parameters have all had an impact on health care providers financial situation. Some health care providers are tempted by this pressure on their income to over-bill, double-bill, or phantom bill insurers for services.

Advertising by attorneys. Aggressive and creative advertising by attorneys in all forms of media sometimes stress that a person may be eligible for workers' compensation benefits even when no work-related injury is readily apparent.

Insurance adjuster workload. Overworked claims adjusters may not be able to properly administer their files. Claims adjusters from two of the larger insurers routinely handle 250-400 claims at one time. Diligent follow-up investigations are not always conducted on questionable claims by over-worked adjusters.

Prosecution standard. Even though a case may be presented to a prosecutor for prosecution, that does not mean alleged fraud will be prosecuted. Prosecutors may decline to pursue a case if they cannot prove it "beyond a reasonable doubt" or it does not meet some other prosecutory threshold. Over 130 cases have been presented for prosecution since the creation of the investigative services unit. A significant share of these cases have been declined by prosecutors.

Rate avoidance. Employers may attempt to avoid premiums for workers' compensation insurance through several means. Premiums are based on the amount of an employer's payroll and the job classification of employees. Under-reporting of an employer's payroll is one method of cutting insurance costs. Another method is inaccurate reporting of employee rating classifications. A third method is periodically creating a new business, which does the same thing and reflects similar ownership, to avoid paying insurance premiums based on their acquired injury experience rating and instead take advantage of the statutorily set rate. Premium avoidance can also result when employers use the subterfuge of independent contractors and subcontractors.

Goal 1 : To refer workers' compensation fraud cases to local prosecuting authorities.

Objective 1 : Increase the referral rate of cases investigated for fraud to 10 percent by F.Y. 1999.

Measure 1 : Percentage of cases investigated referred for prosecution.

	<u>F.Y.1993</u>	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>
Fraud Referral Rate						
Actual	13%	14%	11%	11%		
Target			15%	17%	10%	10%
Fraud Cases Referred to Prosecution						
Actual	2	38	48	45		

DEFINITION :

Minnesota law requires the department to refer cases "where illegal activity occurs" to the Attorney General or other prosecuting authority for prosecution. The referral rate is the number of cases alleging fraud that have been investigated and referred to county attorneys for prosecution divided by the sum total of cases that are "open" (i.e., being investigated), referred to insurer, employer or special compensation fund for investigation, and the complaints referred to prosecuting authorities. The total number of cases does not include complaints noted as information only or determined to be unfounded by the investigative services unit.

RATIONALE :

Measuring the rate of referrals to prosecutors each year demonstrates whether the department is achieving its goal of investigating fraud within the workers' compensation system and referring cases with sufficient evidence to prosecutors. This particular measure is used within the law enforcement community for uniform crime reporting and reflects the clearance of cases. The department revised the fraud referral rate performance target to 10 percent from the previously identified 25 percent for two reasons. First, the new target better reflects the historic performance rate demonstrated by major law enforcement agencies with respect to "property crimes." Second, the previous performance target was overly optimistic and speculative due to the start of the operation in 1995.

DATA SOURCE :

Data and information for this measure are compiled by the investigative services unit as part of its ongoing activities. The data is maintained on hard copy in the unit's files and on the unit's management information system computer. A management report of the unit's activities is under development.

DISCUSSION OF PAST PERFORMANCE :

The workers' compensation fraud referral rate has not exceeded 15 percent since the department started this activity in F.Y. 1993. In fact, it has stabilized at about 11 percent which is typical for property crimes in general.

PLAN TO ACHIEVE TARGETS :

In early 1996, the department established the "fraud tip line" for individuals to report possible workers' compensation fraud. The agency also publicizes referrals of workers' compensation fraud to prosecution through a news release into the community where the fraud occurred.

The department streamlined the processing of complaints so that investigators can effectively handle an increased workload. Staff training and continuing education will also increase the efficiency and effectiveness of the agency's investigators.

Coordinated efforts of public and private sector stakeholders are essential in detecting and preventing fraud. To achieve this the department conducts training seminars for employee groups, employers and insurance industry claims adjusters, special investigators and contract private investigators.

OTHER FACTORS AFFECTING PERFORMANCE :

An increase in cases requiring investigation may create a backlog of cases.

Increased responsibility within the department could increase the workload of the investigators. As the primary investigatory arm of the department, the unit may be called upon to conduct internal investigations. It may also be called upon to assist other State agencies such as conduct their internal investigations. These investigations occur when a conflict of interest exists or when special expertise is required.

A down-turn in the job market historically increases the number of workers' compensation claims and therefore would increase the potential for false workers' compensation claims.