



Minnesota Department of Labor & Industry 1998 Performance Report



JK6135
.A56
1998
Labor
&
Industry

*All photographs in this report are used with permission
from the Minnesota Historical Society.*

Front cover photos

Top left photo: Workers wrapping bacon at Swift and Co., South St. Paul, MN in 1937.

Top right photo: Two lumberjacks pose next to a felled tree in 1910.

Bottom photo: Interior of the St. Paul Foundry Company, circa 1920. Photo by C.P. Gibson.

Back cover photos

Top left photo: A carpenter uses an end of a stud as a template for trimming joists, circa 1926.

Top right photo: A lumberjack sharpens saws at Kileen & Co. camp near Two Harbors, MN in 1912.

Bottom photo: Filling a high-boiling vat at Hamms Brewery in St. Paul, circa 1910.

January 1999

Additional copies of this report are available from the Communications Unit at (651) 297-3313,
Fax (651) 282-5405 or *DLI.Communications@state.mn.us*.

Information in this report can be obtained in alternative formats by calling the Department of Labor
and Industry at 1-800-DIAL-DLI (342-5354) or TTY at (651) 297-4198.

Please visit our web site at: *www.doli.state.mn.us*.



Minnesota Department of Labor and Industry
443 Lafayette Road North
St. Paul, Minnesota 55155



Department of Labor & Industry
1998 Performance Report

RECEIVED

JAN 22 1999

LEGISLATIVE REFERENCE LIBRARY
STATE OFFICE BUILDING
ST. PAUL, MN 55155

Table of Contents

1	Introduction
2	Agency Accomplishments
4	Performance Measures - Workers' Compensation Division
4	Workers' Compensation Division
8	Information Processing Center
10	Customer Assistance
11	Compliance Services
13	Special Compensation Fund
15	Vocational Rehabilitation
18	Performance Measures - Workplace Services Division
18	Occupational Safety and Health Administration
21	Labor Standards
23	Apprenticeship
25	Code Administration and Inspection Services
27	Performance Measures - General Support
27	Investigative Services
28	Future Directions
29	Data Sources

I n t r o d u c t i o n

The Department of Labor and Industry is the regulatory agency responsible for compliance with workplace statutes and rules in Minnesota. Its customers are workers and employers.

Mission

The Department of Labor and Industry strives to promote a safe, efficient and productive work environment for Minnesota workplaces.

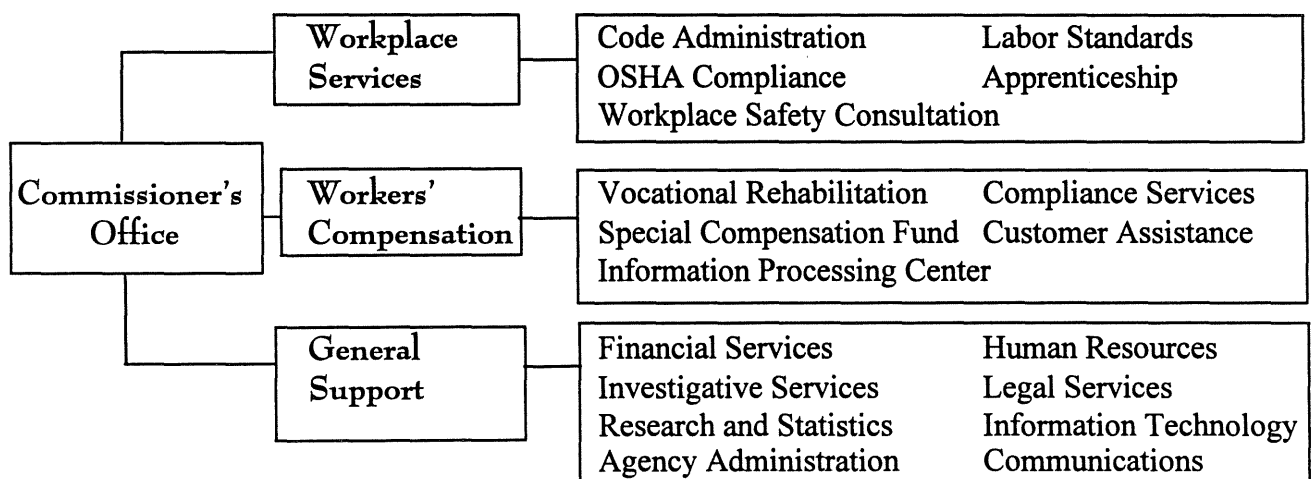
Goals

- Workplaces are free from injury and illness.
- Job-injured workers are provided treatment and support.
- Workers from all communities have the opportunity to receive critical skills through apprenticeship learning.
- Boilers and high pressure piping systems are properly installed and operated.
- Workers, potential workers and employers from all communities have a clear understanding of their rights and responsibilities in the workplace.

Organization

Employees are assigned to one of three operating divisions: Workplace Services, Workers' Compensation and General Support. The commissioner assembles a cabinet to provide leadership on policy and operations.

Seven statutory boards and councils and several volunteer committees provide advice to the commissioner on individual programs.



A g e n c y A c c o m p l i s h m e n t s

Workers' Compensation

- The department released its first-ever *Workers' Compensation System Report* in March 1998 and will release its second *System Report* in January 1999. The publication contains numerous system measures including total workers' compensation costs and claims, an analysis of benefit distribution, disputes and dispute resolution, and rehabilitation use. It reports data through 1997, the most recent year available, and provides policymakers, stakeholders and others with important information about the state's workers' compensation climate.
- The department published its *1996 Workplace Safety Report* in July 1998. The annual state report gives information on job-related injuries and illnesses--their incidence, nature and severity; how they occur and in what industries and how their incidence changes over time.
- Since March 1995, Minnesota has been imaging all documentation on new workers' compensation claims. Now, 200,000 files are on the imaging system. The department also has reduced the number of incorrect submissions by 75% because it asks attorneys and insurers to correct incomplete documents.

Minnesota OSHA (MNOSHA) Compliance

- In 1998, Minnesota OSHA Compliance celebrated 25 years as a state program and continues to ensure every Minnesota worker has safe and healthful working conditions.
- In July's *OSHA Quarterly* magazine, MNOSHA's ergonomics team was recognized for developing a special emphasis program to identify and reduce hazards common to nursing homes. The ergonomics team conducted tailored training sessions for 225 representatives of the nursing home industry.
- Since 1996, MNOSHA has used the **Minnesota First Program** to target more than 300 Minnesota employers whose workplaces experienced high injury and illness rates. The program uses enforcement and consultation assistance to encourage employers to design and implement effective safety and health programs.

OSHA's Workplace Safety Consultation

- The Minnesota Safety and Health Achievement Recognition Program (MNSHARP), started in 1996, recognizes companies whose managers and employees work together to develop safety and health programs that go beyond basic compliance with all of OSHA standards, and result in immediate and long-term prevention of job-related injuries and illnesses. Ten worksites have achieved MNSHARP status.

A g e n c y A c c o m p l i s h m e n t s

Apprenticeship

- The Apprenticeship unit reached a milestone in June 1998 when it registered its ninety-two thousandth apprentice. In January 1999, the program will commemorate 60 years of serving Minnesota's businesses and skilled employees through apprenticeship training.

Information Technology Services

- For more than 15 years, DLI stored the data it collects in separate non-integrated databases specific to individual work units, and to sometimes particular computer applications. In 1998, the department created an enterprise-wide data model based on input from work units throughout Labor and Industry, as well as the Office of Administrative Hearings and the Workers' Compensation Court of Appeals. Experts from business units identified individual pieces of data (elements) they use or collect in doing their business. Technical staff built a physical database and have used it to write new computer programs. Eventually, all computer programs will be rewritten to run against the new database to integrate all data that DLI collects, manages and reports.
- The department's Year 2000 project plan is on schedule. It includes the inventory, assessment, upgrade, or replacement of hardware, software, firmware and interfaces. Testing and contingency plans for all critical systems will be completed by mid-1999. The department has begun information and outreach efforts to employers throughout the state to increase their awareness of how this issue might impact them. Progress updates are posted in the agency's Internet page at www.doli.state.mn.us/Y2K.html.

Human Resources

- In 1995, DLI was chosen as the executive agency to pilot a program approved that year by the Minnesota Legislature. The pilot exempts DLI from the civil service law, rules and administrative procedures for two years. The experiment helped the department identify qualified candidates for positions; classify all jobs within the department; and move decision-making authority to line managers. The 1997 Legislature extended this pilot project to the year 2001.

Labor Standards

- In May 1998, the department mailed out safety tips for young workers and general information on Minnesota's child labor laws to all state high school principals. The goal was to inform teenagers about their rights and responsibilities in the workplace as they began to look for summer employment.

Workers' Compensation Division

The workers' compensation system's purpose is to minimize the impact of work-related injuries or illnesses on workers and employers. When injuries do occur on the job, the workers' compensation programs assist the injured worker and employer. The goal is to return the injured worker to pre-injury status as quickly and safely as possible. Other goals are that:

- information is available to all stakeholders when needed;
- the system is properly funded; and
- participants understand their rights and responsibilities.

Program Performance

Some notable measures of performance for Minnesota's workers' compensation system are the estimated total system cost and the cost per \$100 of covered payroll.

Total Costs of System

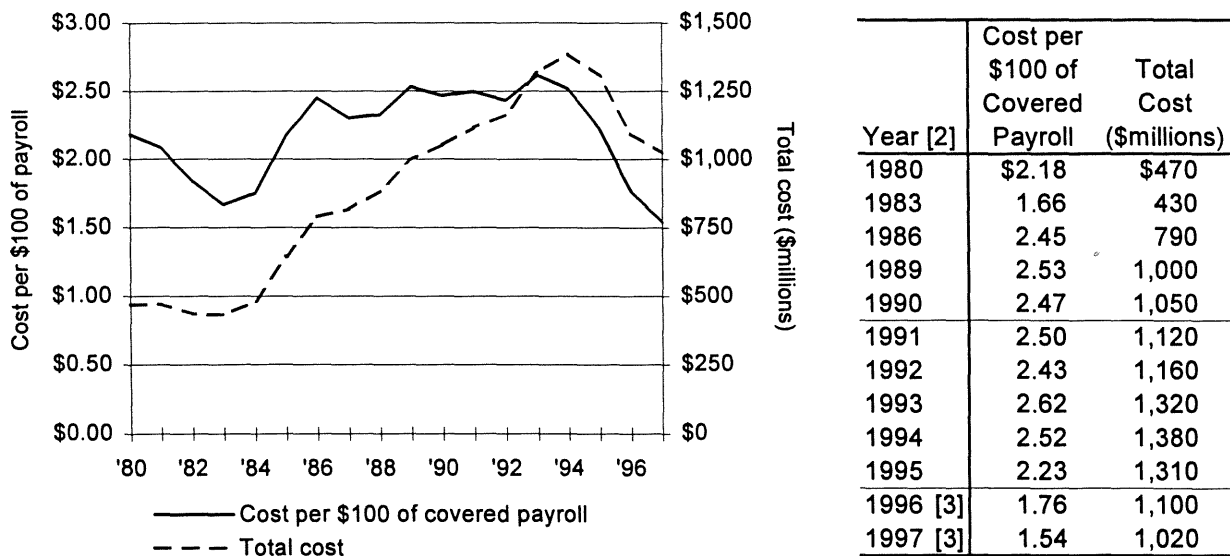
The graph on Page 5 shows the estimated total cost of Minnesota workers' compensation from 1980 to 1997, in absolute terms and relative to payroll. The numbers include insured and self-insured employers. They are based primarily on written premium for insured employers and pure premium (with adjustments) for self-insureds (see footnote in figure). Total cost reflects indemnity benefits, medical treatment, rehabilitation, claims adjustment, litigation, insurance brokerage, overhead, assessments and taxes (primarily DLI's Special Compensation Fund assessment), and profit.

The graph on Page 5 also shows that the total cost of workers' compensation fell slightly during 1980-1983, rose from \$430 million in 1983 to \$1.38 billion in 1994, and fell during the next three years to \$1.02 billion in 1997.

Cost Per \$100 of Covered Payroll

The trend in total system cost is different when expressed relative to covered payroll. Total cost per \$100 of payroll declined from \$2.18 in 1980 to \$1.66 in 1983, rose to \$2.53 in 1989, stayed essentially flat during 1989-1994 (with minor fluctuations), and fell sharply from \$2.52 in 1994 to \$1.54 in 1997. The 1997 figure is down 39% from 1994 and from the 1989-1994 average of \$2.51.

Figure 2.5
Cost of Workers' Compensation
Per \$100 of Covered Payroll and In Total, 1980-1997 [1]



1. For insured employers, estimated cost consists of written premium plus premium credits for policy deductibles (a proxy for claim costs below deductible limits) less policy dividends. For self-insured employers, estimated cost consists of pure premium (payroll times pure premium rate times experience modification factor) plus administrative cost plus Special Compensation Fund assessment. Payroll is adjusted for the paid-leave exclusion through 1995. See Appendix C for details.
2. Cost data are primarily by year premium is written for insured employers and by year pure premium is earned for self-insured employers.
3. Preliminary.

Claim Cost and Relative Frequency by Claim Type

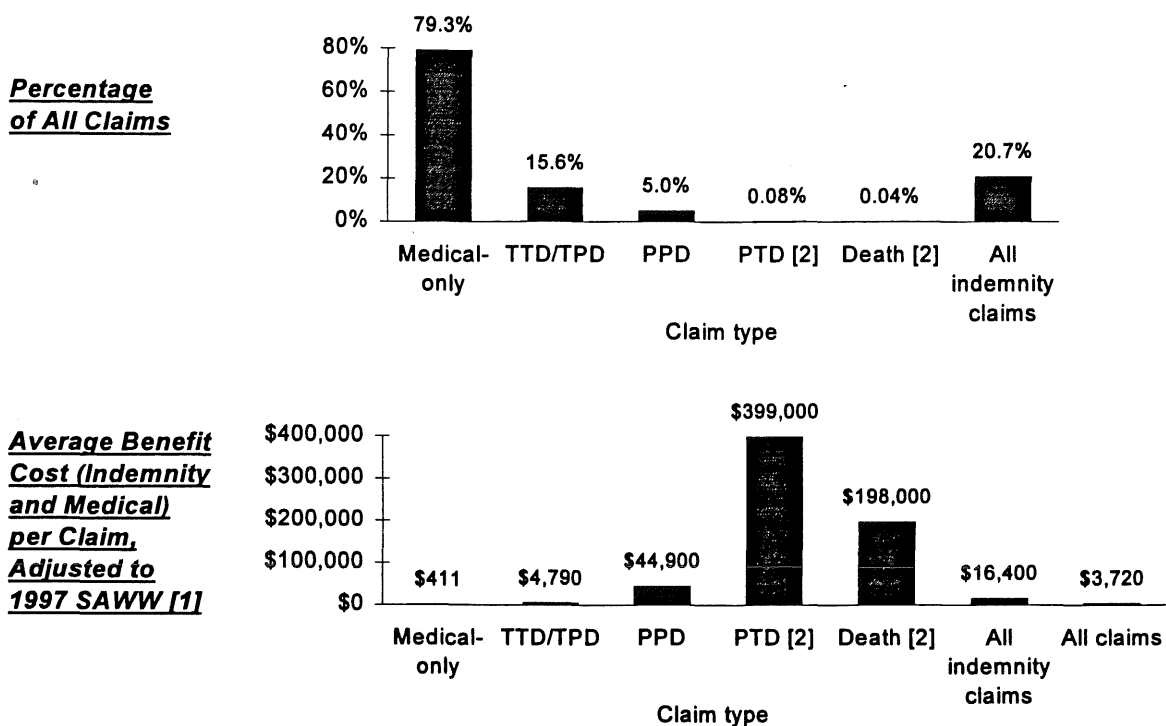
Workers' compensation claims can be categorized by their type. These claims vary a great deal in their frequency, typical and total cost to the overall system. The different types of claims are:

Medical-only claim (MO): A claim with paid medical costs and no indemnity (wage replacement) benefits.

Indemnity benefit: A benefit to the injured or ill worker or survivors to compensate for wage loss, functional impairment, or death. Indemnity benefits include TTD, TPD, PPD, and PTD benefits, supplementary benefits, death benefits, and, in insurance industry accounting, vocational rehabilitation costs.

Temporary total disability (TTD): A wage-replacement benefit paid if the worker is unable to work because of a work-related injury or illness, provided that three calendar days have passed starting with the first day of disability. (A day of disability is a day with any loss of work time or wages due to the injury or illness.) The benefit is equal to 2/3 of the worker's gross pre-injury wage, subject to minimum and maximum weekly amounts, and is paid at the same intervals as wages were paid before the injury.

**Percentage of Claims, Average Benefit Cost per Claim,
and Percentage of Total Benefit Cost by Claim Type for Insured Claims,
Policy Year 1995: Insurance Industry Claims Data [1]**



1. Data are from the Minnesota Workers' Compensation Insurers Association, *1999 Minnesota Ratemaking Report*. Incurred losses, from insurer reports on policy experience, are developed to a fifth-report basis using the development factors in the *Ratemaking Report*. The figures include the voluntary market and Assigned Risk Plan, and exclude supplementary benefits and second-injury claims. To standardize the cost of benefits to 1997, the numbers in the middle panel are adjusted for growth in the statewide average weekly wage (SAWW), from Reemployment Insurance data. Each cost number is multiplied by the ratio of the 1997 SAWW to the 1995 SAWW, using the SAWW reflecting wages paid during the respective year. See Appendix C for details.
2. Because of annual fluctuations, data for PTD and death claims are averaged over several years. See Appendix C for details.

Temporary partial disability (TPD): A wage-replacement benefit paid if the worker is employed with earnings that are reduced because of a work-related injury or illness, provided that three calendar days have passed starting with the first day of disability. (A day of disability is a day with any loss of work time or wages due to the injury or illness.) The benefit is equal to 2/3 of the difference between the worker's gross pre-injury wage and his or her gross current wage, subject to a maximum weekly amount, and is paid at the same intervals as wages were paid before the injury. For injuries on or after October 1, 1992, TPD benefits are limited to a total of 225 weeks and to the first 450 weeks after the injury (with an exception for approved retraining).

Permanent partial disability (PPD): A benefit that compensates for permanent functional impairment resulting from a work-related injury or illness. The benefit is based on the worker's impairment rating, which is a percentage of whole-body impairment determined on the basis of health care providers' assessments according to a rating schedule in rules. Currently, the PPD benefit is calculated under a schedule specified in law, which assigns a benefit amount per rating point with higher ratings receiving proportionately higher benefits. The scheduled amounts per rating point have been fixed since 1984. Currently, the benefit is paid after TTD has ended, at the same rate and intervals as TTD, until the overall PPD amount is exhausted.

Permanent total disability (PTD). A wage-replacement benefit paid if the worker sustains a severe work-related injury specified in law. Also paid if the worker, because of a work-related injury or illness in combination with other factors, is permanently unable to secure gainful employment, provided that, for injuries on or after October 1, 1995, the worker has a PPD rating of 13%-17%, depending on age and education. The benefit is equal to 2/3 of the worker's gross pre-injury wage, subject to minimum and maximum weekly amounts, and is paid at the same intervals as wages were paid before the injury. For injuries on or after October 1, 1995, benefits end at age 67 under a presumption of retirement.

The figure on page 6 shows the distribution of the claim types overall. In the top panel:

- ▶ Medical Only (MO) claims made up nearly 80 percent of the total claims, or four of every five claims. These claims are the least severe in the system.
- ▶ Among indemnity claims, Temporary Total (TTD) claims were most common, accounting for more than 15 percent of total, followed by Permanent Partial Disability (PPD) claims with 5 percent of the total.

The middle panel of the figure shows the average benefit cost (indemnity and medical) per the same claim types. The middle panel shows that:

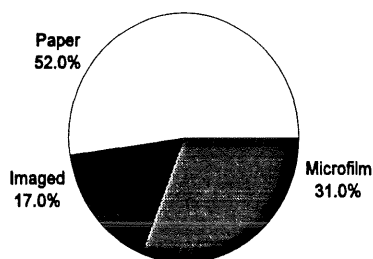
- ▶ Although permanent total (PTD) claims are not very common, they average the most expensive, at nearly \$400,000 per claim.
- ▶ Medical only (MO) claims are the least expensive, averaging only \$411 per claim. This is the case because they have no indemnity benefit associated, and because these claims are the least severe in the system.

Information Processing Center

This activity provides critical administrative support services to the workers' compensation system and its constituents in the following areas:

- receives and scans all workers' compensation claim-information mail into the computer to create imaged files (521,652 documents in 1997);
- enters workers' compensation data into the department database (265,041 forms in 1997);
- mails *Employee Rights and Responsibilities* booklet to injured workers;
- manages and maintains all of the paper workers' compensation claim files;
- provides copies of claim files to authorized clientele in accordance with data privacy laws;
- handles all employer requests for mandatory state posters;
- provides centralized copy center services for department; and
- provides mailroom/courier services for department.

Workers' Compensation Claim Files
(1.2 million total)



Information Processing Center (IPC) 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.

Performance Goals

- To provide accurate, timely information to customers;
- to apply new, appropriate technologies; and
- to continually improve processes.

Program Performance

- Maintain at least a 95% accuracy in imaged files (12-month average 99.56%); and
- achieve a timely availability of imaged workers' compensation documents.

Timeliness of the department's creation of imaged claim files

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Percent of scanned documents available to customers within a two-day deadline	N/A	N/A	36% - 99% depending on type of document	59% - 97% depending on type of document
Percent of scanned documents available to customers within a four-day deadline	N/A	N/A	40% - 79% depending on type of document	91% - 95% depending on type of document

When the department receives a First Report of Injury form, it creates an imaged file regarding the injured worker and begins to monitor the claim. This file is available to department staff, who receive telephone calls and other inquiries about the claim. The file is also available to the injured worker and other parties to the claim. In 1998, nearly 600,000 documents were received and scanned into files. It is critical to the workers' compensation system that this process be carried out quickly and reliably. The department's goal is for the majority of documents to be scanned and available for retrieval within two days of receipt; although some documents are given a four-day goal.

Other Accomplishments

- Accuracy in electronically filing documents into the department's imaged workers' compensation files was 99.54% in F.Y. 1998.
- The department made 14,157 workers' compensation files available to requesters to review within an average of 14.23 days of the request. This includes paper files stored off site, as well as files stored electronically or on microfilm.
- The department entered workers' compensation data from 276,261 forms into the database within an average of 8.8 days of the agency's receipt of each form.

Customer Assistance

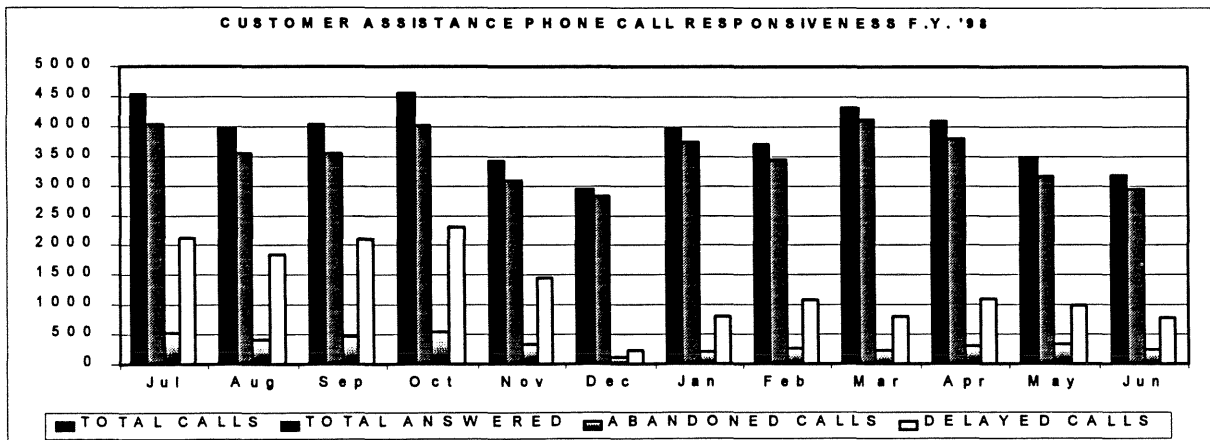
The Customer Assistance unit provides early intervention and mediation to prevent and resolve disputes. The goal is to minimize the effects of an injury sustained by the worker and decrease the overall costs to the workers' compensation system. This unit provides fair, accurate, and neutral assistance and information about workers' compensation law and rules to employees, employers, and other external customers.

Performance Goals

- Respond to those who call or visit our offices;
- certify that a dispute exists, intervene to resolve disputes and avoid litigation;
- hold mediation sessions with injured workers, their attorneys and workers' compensation insurance providers, and other interested parties;
- conduct administrative conferences to resolve rehabilitation and medical issues; and
- provide non-conference decisions on issues not requiring in-person attendance at a conference.

Program Performance

- Reduced average caller wait time from 3 minutes to less than 1 minute;
- certified approximately 2,300 disputes in 7 to 10 days of notice;
- resolved more than 300 disputes which were requested to be certified;
- resolved more than 2,450 issues which had not yet developed into a formal dispute through telephone contact with injured workers, employers and others;
- issued more than 360 mediation awards within an average of 40 days of request for mediation services; and
- issued approximately 550 administrative conference decisions within approximately 75 to 80 days from the date the medical or rehabilitation request was received.



Complete telephone assistance is given to customers who have questions about the workers' compensation system, or who have detailed questions about a specific claim or dispute.

Approximately 46,700 telephone calls were received in 1998. Our success for this area in Customer Service is measured by the extent to which calls are answered, *delayed* (placed on "hold") or *abandoned* (caller hangs up).

Compliance Services

The Compliance Services unit modifies employer and insurer behavior regarding the reporting and monetary-benefit provisions of the workers' compensation statutes.

Performance Goals

- Audit of workers' compensation files;
- assessment of monetary penalties for non-compliance; and
- education of employers and insurers regarding their responsibilities under the law.

Program Performance

- Audited 55,071 claim files, uncovering \$1,435,000 in under-payments to injured workers;
- assessed 4,253 warning and monetary penalties against employers and/or insurers, totaling \$1,302,918; and
- trained approximately 850 employers and insurers regarding their responsibilities under workers' compensation law in 1998.

Other Accomplishments

- Developed and implemented a one-day training session, plus manual, for new claims adjusters which is now offered several times each year;
- initiated training in Wisconsin, Michigan, and Illinois for out-of-state insurers who do business in Minnesota;
- published the first Prompt First Action Report (M.S. 176.223); and
- assisted specific insurers in efforts to change claims practices that result in penalties.

Timeliness in reporting claims

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Percent of lost-time claims reported timely to the insurer/department	N/A	N/A	67%	74%

Under the workers' compensation law, employers have ten days to report injuries resulting in more than three days of lost work time to their insurance company. The insurance company must report the injury to the Department of Labor and Industry by the fourteenth day after the injury. Timely reporting of injuries is critical to the outcome of a claim. Prompt reporting by the employer allows the insurer to investigate the claim; deny or accept the claim and commence benefits promptly. Timely reporting by the insurer allows the department to send valuable information about the workers' compensation system to the injured worker early in the claim. The department checks every First Report of Injury for timeliness and assesses penalties for the late filing of claims by employers and insurers.

Timeliness of insurer's denial or acceptance and first payment on claims

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Percentage of claims denied or paid timely (first payment)	N/A	N/A	81% (preliminary)	84% (preliminary)

In addition to reporting the claim to the department by the fourteenth day, the workers' compensation insurance company or self-insured employer must also investigate the claim, determine whether it will accept liability, and commence the first payment on accepted claims

within the same 14-day period. Delays in the first payment or denial of claims can add significant costs to the workers' compensation system.

Assessment and collection of workers' compensation penalties

Workers' Compensation Division Penalty Statistics

Penalty Type	FY 1995				FY 1996				FY 1997				FY 1998			
	Assessed		Collected		Assessed		Collected		Assessed		Collected		Assessed		Collected	
	Total #	Dollar Amount	Total #	Dollar Amount	Total #	Dollar Amount	Total #	Dollar Amount	Total #	Dollar Amount	Total #	Dollar Amount	Total #	Dollar Amount	Total #	Dollar Amount
Late Filing of 1st Report (M.S. 176.231)	938	\$85,600	562	\$64,487	620	\$68,100	428	\$46,595	1,165	\$168,000	866	\$118,575	778	\$122,250	684	\$101,685
Late 1st Payment (M.S. 176.221)	2,361	\$695,178	2,190	\$526,000	1,904	\$689,362	1,808	\$433,755	1,903	\$730,299	1,784	\$462,591	1,414	\$601,956	1,454	\$425,343
Late Denial (M.S. 176.221)	0	\$0	0	\$0	0	\$0	0	\$0	278	\$110,750	140	\$46,400	557	\$374,100	459	\$256,550
Prohibited Practices (M.S. 176.194)	3	\$7,500	3	\$6,250	0	\$0	3	\$5,121	19	\$63,000	6	\$19,000	38	\$126,000	18	\$46,000
Rehabilitation Provider Discipline (M.S. 176.102)	4	\$475	4	\$475	1	\$25,000	0	\$0	3	\$1,850	3	\$1,850	14	\$6,683	14	\$6,683
Managed Care Organization Discipline (M.S. 176.1351)	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	3	\$9,750	3	\$9,750
Failure To Insure (M.S. 176.181)	46	\$139,479	52	\$57,287	150	\$31,533,861	113	\$128,440	180	\$41,479,271	175	\$246,323	155	\$3,146,115	149	\$257,961
Late Filing of Special Fund Assessment (M.S. 176.129 & 176.130)	37	\$54,833	32	\$30,195	43	\$90,085	35	\$46,954	59	\$94,704	55	\$92,279	69	\$161,899	68	\$71,978
Other Penalties (M.S. 176.221, 176.225, 176.138, 176.231, 176.238, & 176.84)	31	\$71,410	27	\$21,701	14	\$16,855	17	\$14,871	24	\$32,640	15	\$10,301	208	\$78,612	139	\$42,906
TOTALS	3,420	\$1,054,475	2,870	\$706,396	2,732	\$32,423,262	2,404	\$675,736	3,631	\$42,680,514	3,044	\$997,318	3,236	\$4,627,365	2,988	\$1,218,857

* These penalties could include: non-specificity of notices, improper payment of permanent partial disability, late payment of orders, improper discontinuance, frivolous denial, late payment of medical expenses, failure to release medical data, late payment of ongoing benefits, failure to file other required reports, and late payment of rehabilitation expenses.

Notes: Penalties pursuant to M.S. 176.225, which are payable to the employee, have been included in the assessed amounts only. All dollar amounts have been rounded to the nearest whole dollar.

The above chart reports all monetary penalties assessed by the department during F.Y.1998.

Penalties are found throughout the workers' compensation statutes. A penalty may be assessed against an employer, insurer, self-insured employer, vocational rehabilitation provider, or others for a variety of infractions, including;

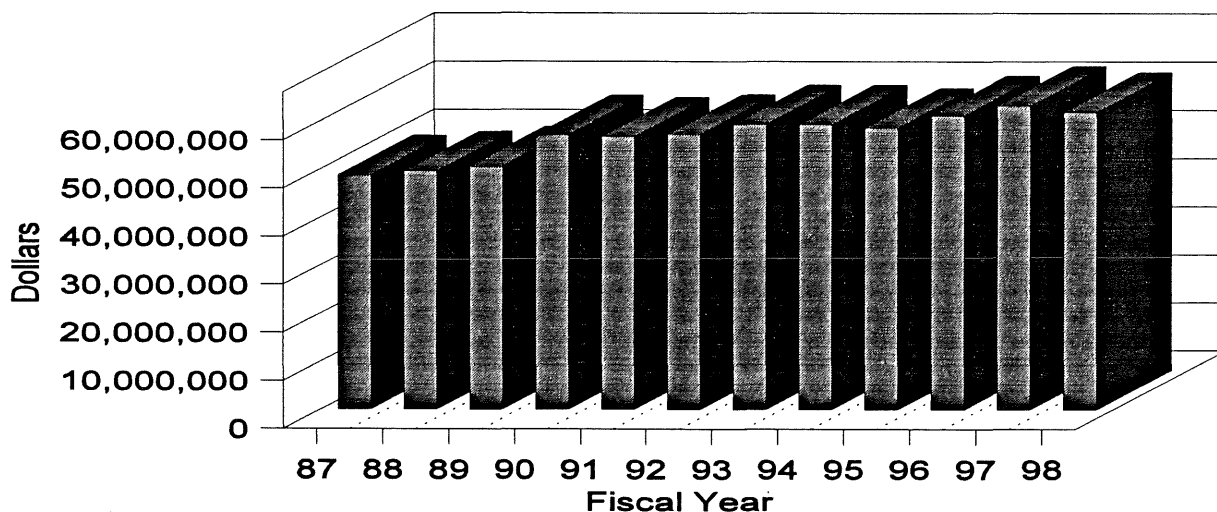
- the untimely reporting of an injury, denial, or first payments;
- failure to follow orders of the department or compensation judge;
- untimely payment or denial of any benefits;
- improper denials of these benefits;
- failure to obtain workers' compensation insurance; and
- failure to file required forms with the department, among others.

The department monitors all claims for the assessment of certain penalties and assesses other penalties upon complaint. An objection may be filed on any penalty. Many of these are settled; others are brought to a hearing before a compensation judge. Once a penalty becomes final, the department collects the money owed. Beginning in 1998, the department used the Minnesota Collection Enterprise to enhance collection efforts.

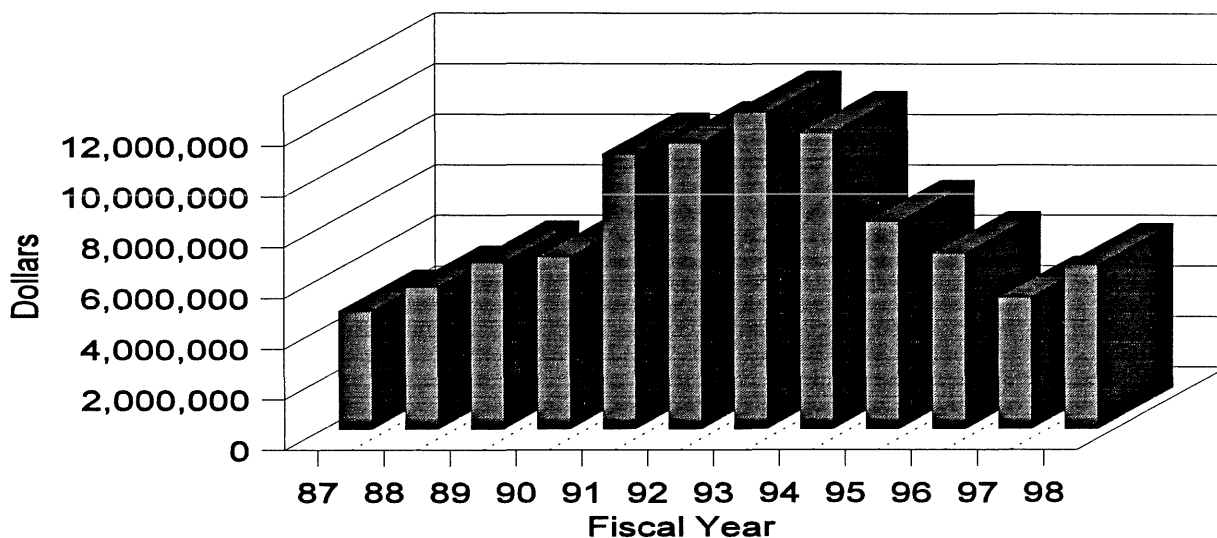
Special Compensation Fund

The Special Compensation Fund (SCF) administers the following workers' compensation responsibilities: 1) verification of employer compliance with workers' compensation mandatory coverage requirements (M.S. § 176.181); 2), administration of workers' compensation claims for employees of uninsured employers, bankrupt self-insured employers, and asbestosis claims and collection of recoveries of monies from uninsured employers and other sources (M.S. § 176.183); and 3) administration, reimbursements and negotiation of Supplementary Benefit and Second Injury monies to insurers and self-insured employers.

Supplemental Benefits



Uninsured Claims



Program Performance

Uninsured indemnity claims per 1,000 total indemnity claims

	C.Y. 1995	C.Y. 1996	C.Y. 1997	C.Y. 1998
Incidence Rate of Uninsured Indemnity Claims Per 1,000	2.9	2.7	1.5 (est.)	0.8 (est.)
Uninsured Indemnity Claims Filed	101	89	49 (est.)	24 (est.)

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. The failure of employers to obtain insurance coverage results in uninsured workers' compensation claims. These claims are paid by the department from money collected through SCF assessments on insurers and self-insured employers. The department enforces the mandatory coverage requirement on employers by identifying employers who lack insurance, assessing stiff penalties against these employers, and taking steps to recover the costs of paying any uninsured claims. Indemnity claims are those which do not involve medical benefits only, but which also require wage replacement and/or loss-of-function benefits. It takes three years before DLI has all first injury reports for that injury year .

Average penalty settlement amount multiple of employers' evaded premium (Under development)

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Percentage of evaded premium settled as penalty	N/A	113%	118%	125%
Total uninsured employers' evaded premiums (in thousands)	N/A	\$262	\$271	\$178

Agency personnel investigate all allegations that employers are uninsured for workers' compensation coverage. Identified uninsured employers are assessed an administrative penalty based on rules and a penalty matrix. The department chose to use uninsured employers' evaded premium as the basis for calculating the administrative penalty.

Percentage of uninsured benefit and administrative costs reimbursed by uninsured employers

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Percentage of Uninsured Claims Costs Reimbursed by Employers	56%	96%	23%	41%
Number of Uninsured Claims on Record	994	908	944	779

State law authorizes the department to recover the costs of uninsured claims from the employer. The department enters into negotiations with the uninsured employer to agree on a reimbursement amount. Our goal is to recover 30 percent of the benefit costs by fiscal year 1999. The percentage of reimbursements is affected by the number of employers who have declared bankruptcy or who have gone out of business.

Vocational Rehabilitation

The Vocational Rehabilitation unit (VRU) provides the following client services and policy administration:

- provides rehabilitation consultations and vocational services to injured workers (M.S. § 176.104 and M.S. § 176.102) with the objectives of early intervention and the return to restriction accommodating, economically suitable work;
- acts as the "safety net" provider of statutory workers' compensation rehabilitation services when primary liability is denied;
- represents a service option to injured workers wanting to exercise the statutory right to change QRC and to insurers seeking QRC services throughout Minnesota;
- ensures the effective delivery of workers' compensation rehabilitation services to assist injured workers to return to work at a reasonable cost to employers; and
- ensures that injured workers receive reasonable and necessary medical care for the cure and relief of the work injuries at a reasonable cost to employers.

Performance Goals

- Provides information and referral services, early-intervention services by contacting injured workers when liability is denied, and rehabilitation consultations per statutory requirement;
- reviews/updates medical and rehabilitation rules through administrative rule making;
- provides training to the public, rehabilitation providers, judges, insurers, health care providers, and users of medical services on medical fees schedules, managed care rules, treatment parameters, and rehabilitation outcomes, statutes, and rules;
- administers and certifies managed care organizations and rehabilitation providers;
- monitors certified managed care organizations for compliance with statute and rules;
- monitors the cost, duration and outcomes of rehabilitation services;
- monitors insurer compliance with the rehabilitation statute and rules; and
- performs professional conduct and accountability investigations of health care providers, certified managed care organizations, and rehabilitation providers;

Program Performance

Rehabilitation plans closed due to return to work

	C.Y. 1995	C.Y. 1996	C.Y. 1997	C.Y. 1998	Goal
Return-to-work rates for all rehabilitation plan closures	70.2%	69.9%	72.0%	75.9%	70%
Return-to-work rates for all rehabilitation plan closures, excepting settlements	N/A	N/A	N/A	86.8%	80%

A key statutory objective of workers' compensation vocational rehabilitation is the return of injured workers to productive employment. Although the goal is closure of the rehabilitation plan because the employee has returned to suitable, gainful employment, some injured workers settle their claims before the rehabilitation plan has been closed. Other rehabilitation plans must be closed because the employee is unable to return to work. This system-wide performance measure shows the extent to which rehabilitation plans are able to assist the injured worker in returning to work.

Average wage at closure of rehabilitation plans in 1998, compared to pre-injury wage

Average Weekly Wage on Date of Injury	Return to Work with Date of Injury Employer	Return to Work with Different Employer	All Return to Work	Goal
Up to \$320 (\$8 per hour)	162%	149%	156%	100%
\$321 - \$480 (\$8 - \$12 per hour)	106%	92%	101%	100%
\$481 - \$600 (\$12 - \$15 per hour)	101%	78%	101%	100%
\$601 and up (\$15+ per hour)	98%	67%	91%	100%
All Average Weekly Wages	112%	101%	108%	100%

Workers' compensation law specifies that vocational rehabilitation should "restore the injured worker to work which produces an economic status as close as possible to that the employee would have enjoyed without the disability." The wage goal used for injured workers is the average weekly wage they were earning at the time of injury. Whether vocational rehabilitation providers can meet this goal depends upon a number of factors, including the availability of suitable, gainful employment and the injured worker's physical restrictions, age, and educational level, among others. Whenever possible, rehabilitation seeks to return the injured worker to employment with the date-of-injury employer. The above chart shows that for rehabilitation plans closed in 1998 because of a return to work, the new wage often exceeded 100% of the pre-injury wage.

Average 1998 rehabilitation cost of returning to work with old versus new employer

	Cost	Goal
Average cost of rehabilitation plan when employee returns to work with the date-of-injury employer	\$1,384	Under \$1800
Average cost of rehabilitation plan when employee returns to work with a different employer	\$5,139	Under \$6,000

Although an injured worker may not be able to return to his/her pre-injury job, it is often possible to find alternative employment with the date-of-injury employer rather than seeking employment with a different employer. This is a frequent goal of rehabilitation because a job with the same employer can be less disruptive to the employee and may be more likely to result in a wage comparable to the pre-injury wage. Another significant advantage is the lower rehabilitation cost, as seen from the above chart.

Timeliness of resolution of medical and rehabilitation complaints

		C.Y. 1995	C.Y. 1996	C.Y. 1997	C.Y. 1998
Medical Complaints	Cases closed within 6 mo.	N/A	N/A	57%	79%
	Cases closed within 12 mo.	N/A	N/A	85%	86%
Vocational Rehabilitation Complaints	Cases closed within 6 mo.	N/A	N/A	N/A	55%
	Cases closed within 12 mo.	N/A	N/A	N/A	95%

The department takes a strong interest in seeing that injured workers receive reasonable and necessary medical care and vocational rehabilitation for their work injuries at a reasonable cost to employers. In 1996, the department refined a process for investigating complaints about health care and the professional conduct of vocational rehabilitation providers. Any person may file a complaint with the department. The number of complaints has increased as people become more aware of the availability of the investigation and discipline process. The department seeks to investigate and resolve complaints as quickly as possible. The time it took to investigate and/or resolve medical complaints improved in 1998.

Other Accomplishments

- The Vocational Rehabilitation unit responded to 1,800 requests for information from individuals about vocational rehabilitation services.
- The department's vocational rehabilitation providers conducted 455 rehabilitation consultations.
- The department's vocational rehabilitation program was successful in returning 341 injured workers to work.

Minnesota Occupational Safety and Health Administration (MNOSHA)

Minnesota's occupational safety and health program was enacted in 1973 in accordance with Section 18 of the 1970 Federal Occupational Safety and Health Act for the purpose of ensuring safe and healthful working conditions for employees in the state. The department's compliance effort promotes safe and healthful working conditions by:

- conducting inspections to identify hazardous conditions;
- setting abatement dates to eliminate or control hazards;
- issuing citations and penalties to promote voluntary compliance; and
- investigating workplace fatalities and serious accidents to prevent their recurrence.

The department's consultation effort helps employers and employees eliminate safety and health hazards in the workplace that contribute to injuries and illnesses by:

- providing safety and health consulting services at no cost to small employers who request assistance in understanding and voluntary compliance with Minnesota OSHA; and
- administering several special emphasis programs to make work environments and practices safer, including the Loggers' Safety Education Program, Labor-Management Safety Committee Program, Safety Grant Program, Workplace Violence Prevention Program, and the MNSHARP and MNSTAR programs.

Performance Goals

Minnesota Occupational Safety and Health's mission is to make sure every worker in the state has a safe and healthful workplace. Three goals, adopted in December 1998 as part of a five-year strategic plan, include:

- improving workplace safety and health for all workers, as evidenced by fewer hazards, reduced exposures, and fewer injuries, illnesses and fatalities;
- changing workplace culture to increase employer and worker awareness of, commitment to, and involvement with safety and health; and
- securing public confidence through excellence in the development and delivery of MNOSHA's programs and services.

These goals recognize the significant inter-relationship of the traditional tools of enforcement, consultation, outreach, and cultural change in workplaces that impact outcomes.

Program Performance

The new five-year strategic plan identifies several measures for tracking performance toward MNOSHA's goals including:

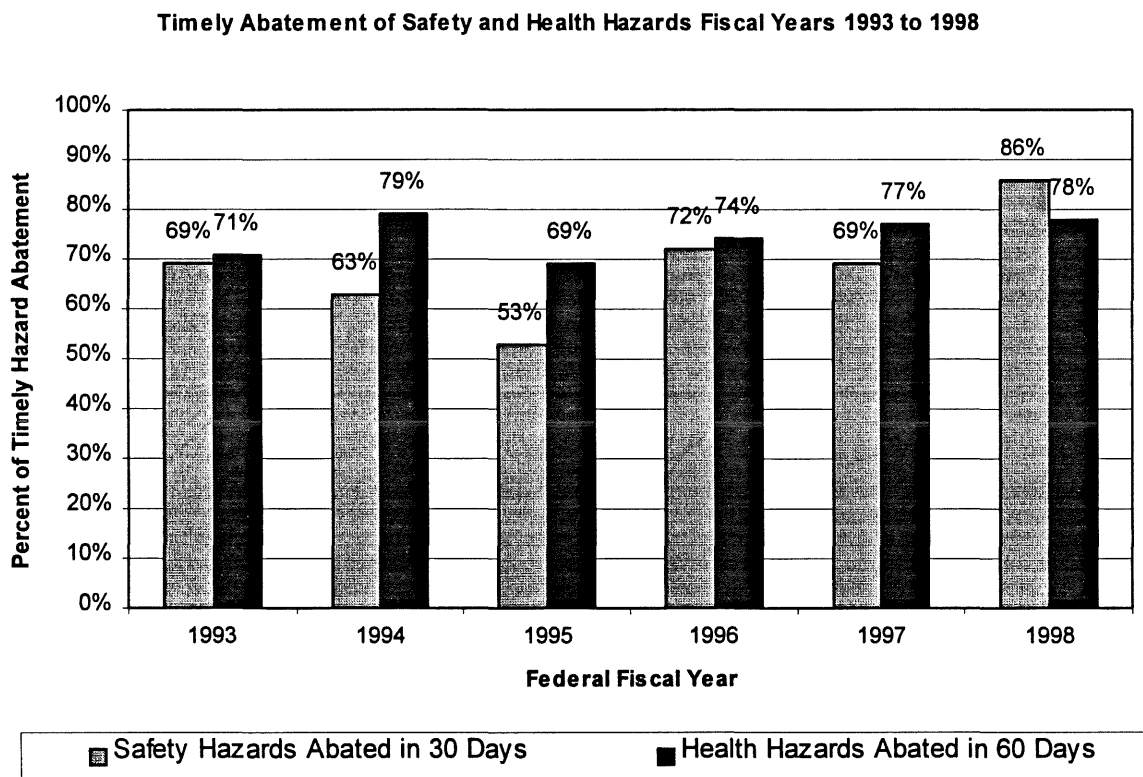
- reduction in the number of injuries, illnesses, and fatalities;
- increased familiarity with MNOSHA standards, regulations, and reference materials;
- requests for assistance that receive a response within three working days;
- employer and employee's perception of MNOSHA's assistance; and
- discrimination complaints resolved within 90 days.

Additional measures of enforcement and consultation activity during F.Y. 1998 include:

- 96% of imminent danger complaints and 100% of imminent danger referrals responded to within one day of receipt
- 1,971 compliance inspections completed
- 3,344 total violations of MNOSHA standards cited
- 2,414 serious violations cited.
- 19 willful violations cited
- 44 repeat or failed-to-abate violations cited
- 71,604 workers covered by the compliance inspections
- \$1,793,491 in penalties collected

- 109 outreach events conducted
- 624 consultations conducted with the result of \$1,783,167 in potential penalties being avoided because hazards were identified and eliminated at no cost to employers
- 429 training and education sessions on OSHA topics presented to 14,681 participants
- 89,000 workers impacted by consultation activities

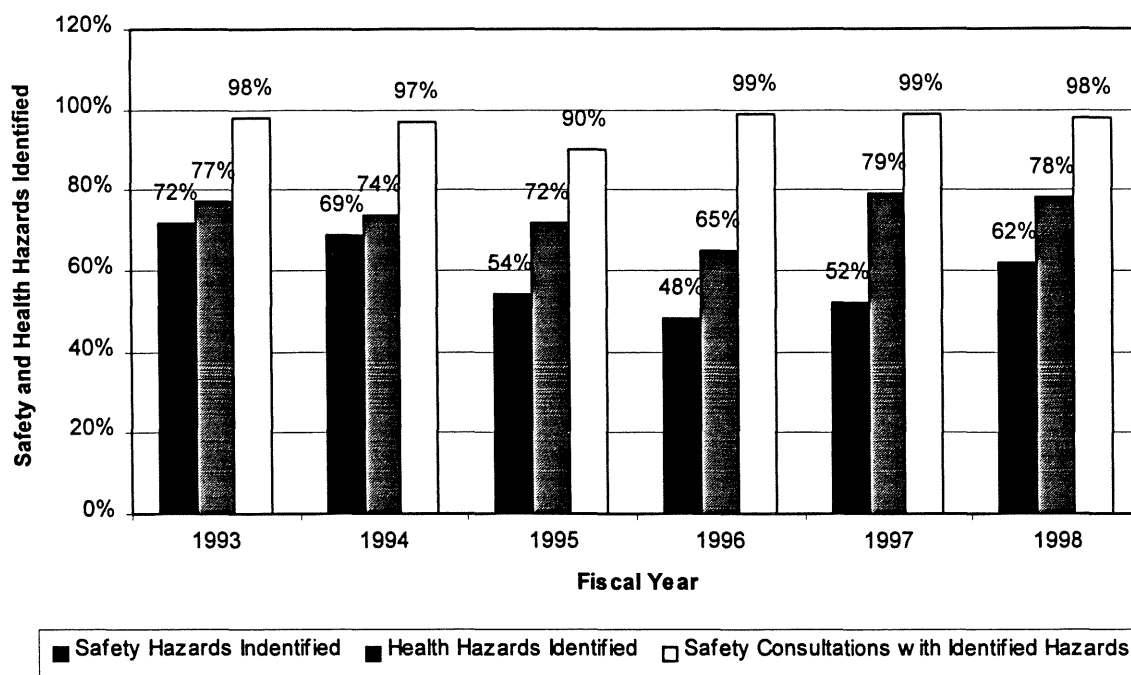
A key performance objective presented in the department's 1996 performance report was the timely abatement of safety and health hazards cited during inspections. This measures how quickly employers abate safety and health hazards cited during inspections. Employers are required to report abatement of cited hazards through a progress report submitted every 30 days until final abatement is achieved. To monitor progress toward final abatement, OSHA inspectors actively review the progress reports from employers they inspected.



Source: Minnesota Occupational Safety and Health Statistical Reports

Another key measure was the effectiveness and efficiency of the department's identification of sites to inspect for OSHA compliance. The objective set in 1996 was the identification of hazards in 70 percent of programmed inspections by F.Y. 1999. This objective was achieved in health inspections at 78 percent in F.Y. 1998 but was not for safety inspections which registered 62 percent. The department is working toward development of an inspection scheduling system based on employer-specific data rather than a compilation of data for an industry (SIC). This latter system is the primary tool available to the department for targeting sites for inspection and results in a lower performance measure.

Percentage of Safety and Health Inspections and Consultation Visits with Identified Safety and Health Hazards for Fiscal Years 1993 to 1998



Source: Minnesota Occupational Safety and Health Statistical Reports

Labor Standards

The Labor Standards unit assures employer compliance with several employment laws and assures that fee employment and entertainment agencies are licensed and operating in accordance with state law. Labor Standards educates, advises on and enforces the following:

- Minnesota Fair Labor Standards Act
- Minnesota Child Labor Standards Act
- Parental Leave Law
- Nursing Mother Law
- Fee Employment Agency Act
- Prevailing Wage Law

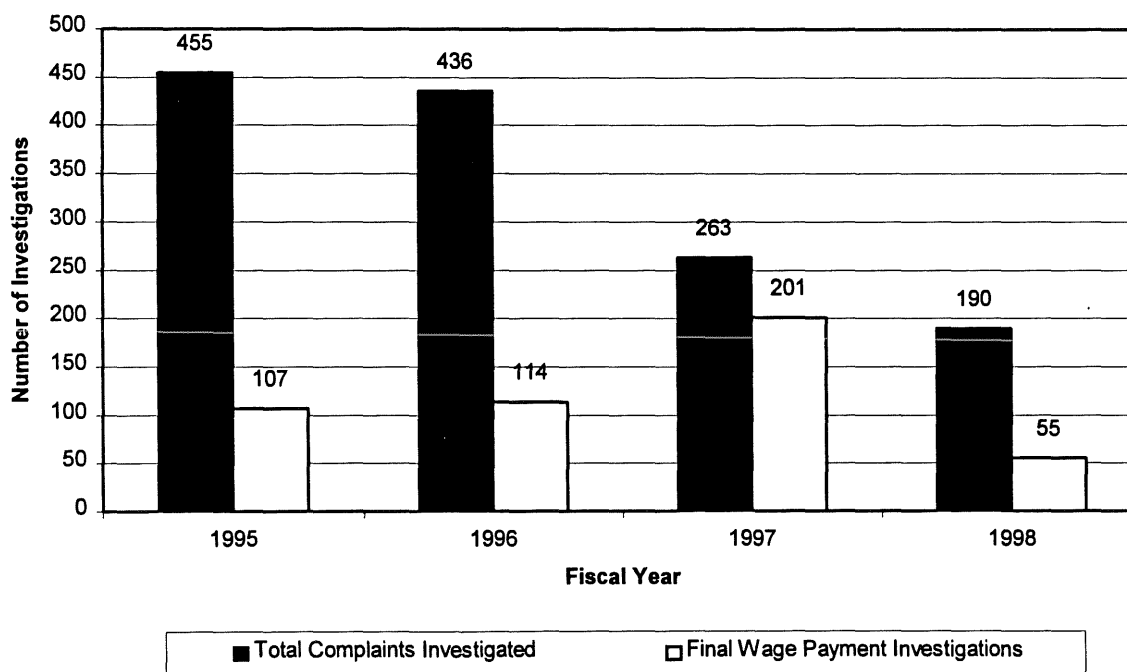
Labor Standards uses both education and enforcement to assure compliance. The unit's customer service work also includes:

- answering nearly 90,000 phone calls on labor-law issues per year from concerned citizens;
- conducting approximately 200 payroll-record audits per year; and
- mailing 5,500 prevailing wage survey forms and processing about 2,000 responses to establish state prevailing wages.

Performance Goals

- Labor Standards performance goals include:
- assuring employer compliance with Minnesota's Fair Labor Standards Act, Child Labor Standards Act, and other employment laws;
- providing accurate, timely prevailing wage determinations for public construction projects;
- assuring that fee employment and entertainment agencies in Minnesota operate pursuant to state law; and
- providing interested persons information on Minnesota's employment laws.

Number of Complaints Investigated and Investigations of Claims for Final Payment of Wages for Fiscal Years 1995 through 1998



Program Performance

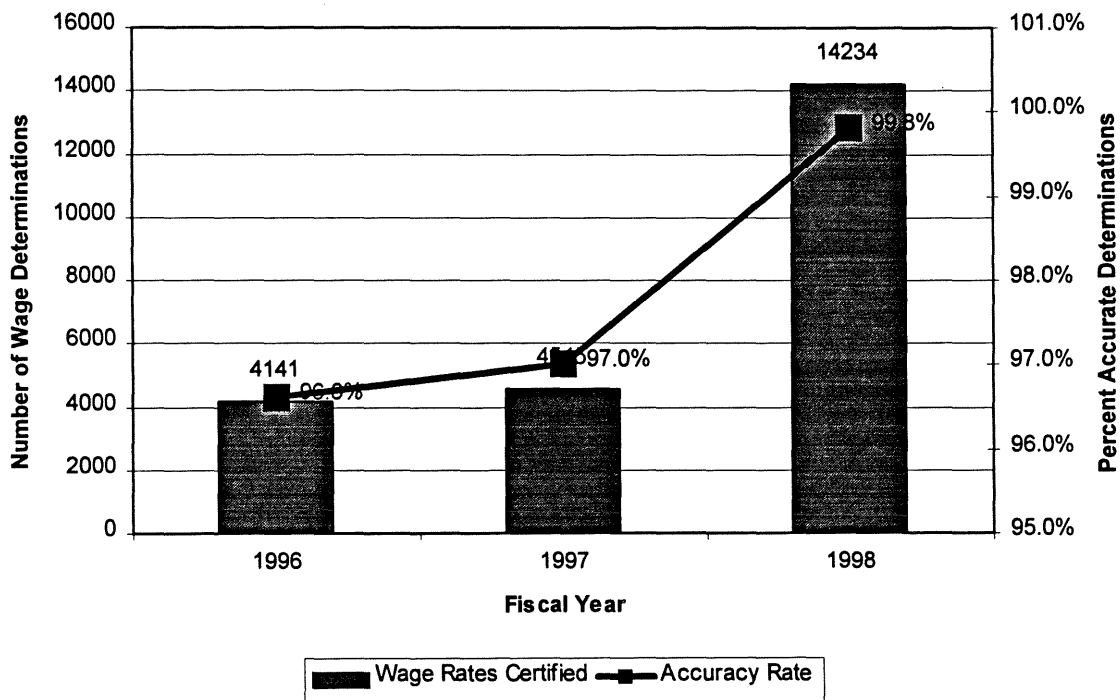
A number of measures have been identified to track performance toward program goals including:

- the number of complaints investigated;
- the percentage of employment law investigations completed within 95 days of being filed;
- the number of inquiries made for information on employment laws;
- the number of speeches and presentations made by the unit;
- the accuracy of prevailing wage determinations; and
- the number of licensed fee employment agencies, licensed entertainment agencies, and registered search firms.

During F. Y. 1998, Labor Standards measures of activity included:

- 64,063 inquiries from workers, employers, and others regarding state employment laws;
- 40 speeches and presentations regarding state employment laws;
- 18 licensed fee employment agencies;
- 4 licensed entertainment agencies; and
- 411 registered employment search firms.

Prevailing Wage Determinations for Fiscal Year 1996 through 1998



Apprenticeship

Apprenticeship is a formal system of employee training that combines on-the-job training with related technical instruction. It is designed to produce craftspeople fully competent in all aspects of an occupation. Employers voluntarily sponsor apprenticeship programs at their own expense. The relationship between the apprentice and employer depends on a contract which specifies the length of training, school instruction hours, an outline of the skills of the trade or occupation to be learned, and the wages the apprentice will receive.

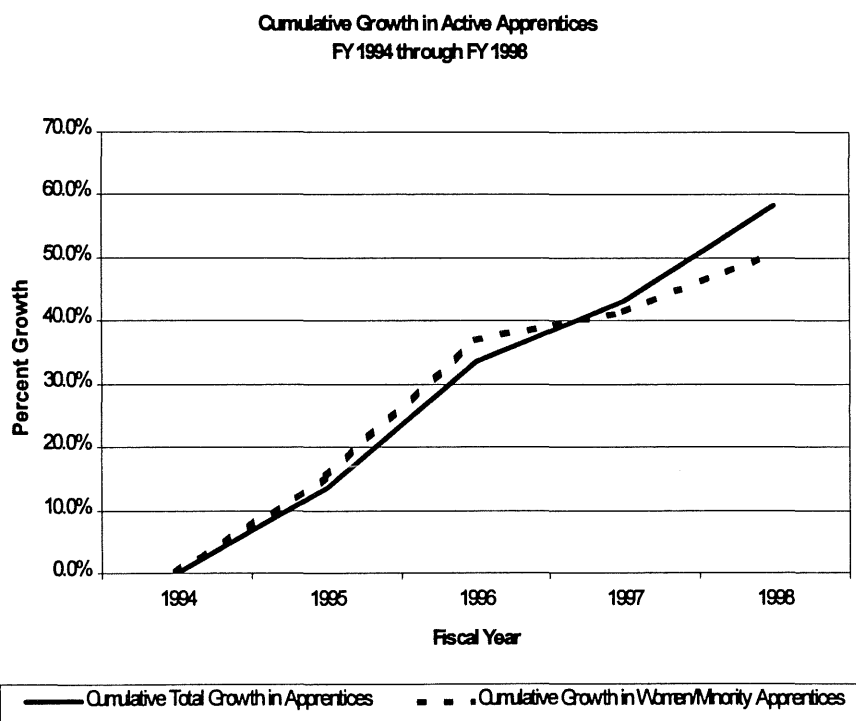
The department is charged with approving and the administering apprenticeship programs to ensure that recruitment, selection, employment and training of apprentices is without discrimination.

Program Goals:

- Expand apprenticeship opportunities for youth and adults that provide Minnesota employers with well-trained workers;
- increase the diversity of registered apprentices; and
- maintain the relevancy and quality of registered apprenticeship programs.

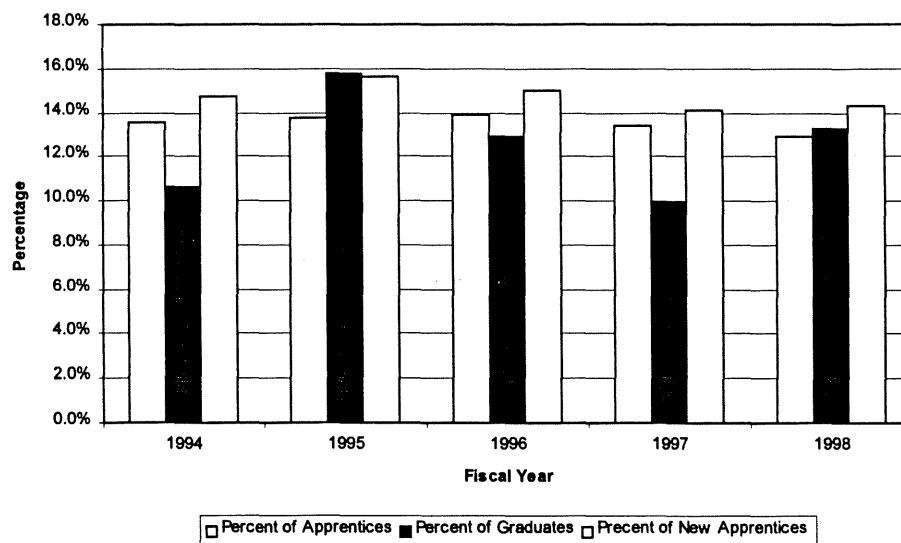
Program Performance:

- The number and percent annual increase in active, registered adult and youth apprentices;
- the number and percent annual increase in women and minorities registered as apprentices and graduating from an apprentice program;
- the number and percent annual increase in apprenticeship standards registered with the department; and
- the percentage of registered apprenticeship standards approved or revised within the previous five years.



Source: Apprenticeship Program Annual Statistical Report

**Women and Minority Apprentices
FY 1994 through FY 1998**

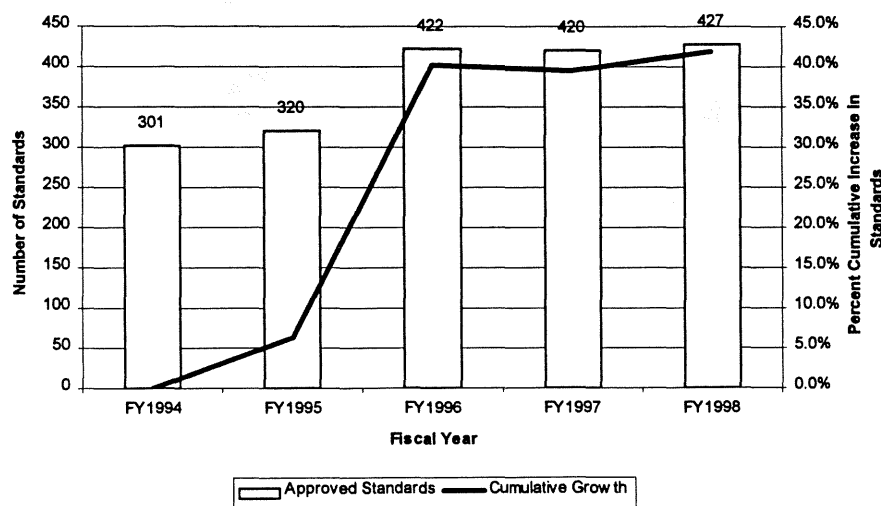


Source: Apprenticeship Program Annual Statistical Report

Apprenticeship continues to experience growth in the number of active, registered adult and youth apprentices, women and minority apprentices and graduates, and employers' approved apprenticeship standards. Achievements from F.Y. 1994 to 1998 include:

- increased the number of active, registered apprentices from 3,083 to 4,878 (58.2%);
- increased the number of women and minorities from 418 to 631 (50.9%);
- increased the number of youth apprentices from 1 to 135; and
- assured that employers' apprenticeship standards are 100% current – having been approved or revised within the past five years.

**Approved Apprenticeship Standards
Total Standards and Cumulative Growth
FY 1994 through FY 1998**



Source: Apprenticeship Program

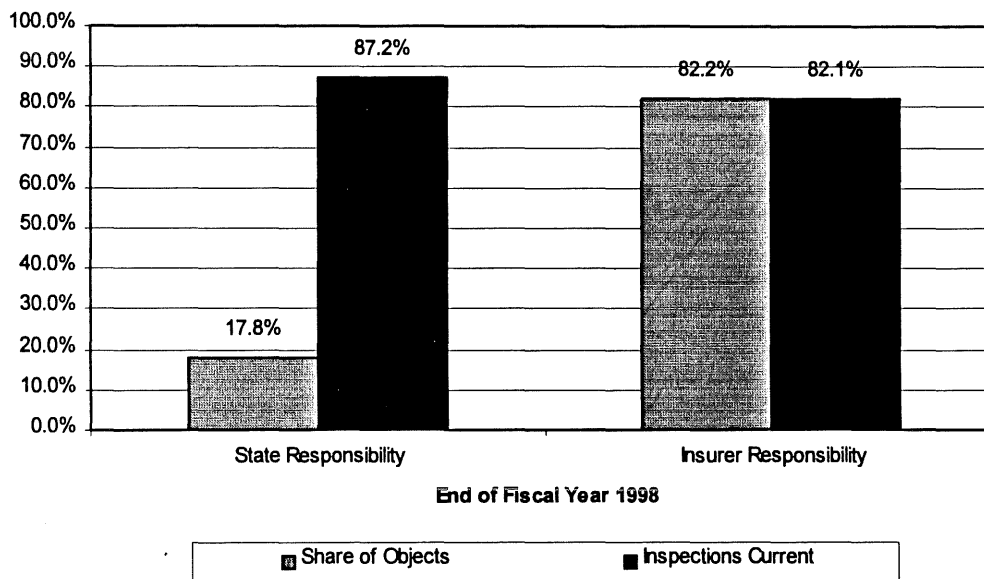
Code Administration and Inspection Services

Code Administration and Inspection Services' (CAIS) mission is to assure the safe operation of boilers, pressure vessels, boats-for-hire, hobby boilers, and ammonia and high pressure piping systems in Minnesota. The mission is accomplished by establishing and enforcing regulatory codes and standards; licensing boiler operators; boat pilots, and pipefitters; issuing permits to install or modify ammonia and high pressure piping systems; and conducting inspections.

Minnesota has regulated boilers and pressure vessels for 120 years. This regulation affects both self-fired and unfired objects. Self-fired objects (i.e., boilers) include steam boilers, hot-water boilers, steam farm traction engines, hobby boilers, and engines. Boilers must be operated by licensed operators and inspected annually by the department or an authorized insurer. Unfired objects (i.e., pressure vessels) include compressor tanks, sand blasting tanks, waste heat boilers, and certain types of air filters and separators. Pressure vessels must be inspected once every two years by either the department or an authorized insurer.

Minnesota has regulated boats-for-hire for more than 80 years. Boats more than 20 feet in length with motors in excess of 50 horsepower are subject to inspection and regulation. Cruise boats used for touring and fishing on inland waterways, such as Lake Minnetonka and Lake Mille Lacs, are the focus of this activity. The number of boats certified to operate each year depends on the number of boats put into service by their owners. Boat pilots must pass a written examination and maintain a current license.

**Share of Objects and Inspection Efficiency by
State and Insurer Responsibility for FY 1998**



Source: Estimated by Code Administration and Inspection Services based on a review of object data conducted in July and August 1998.

Minnesota has regulated the installation and modification of high pressure piping systems for 62 years and ammonia piping systems for nine years. These piping systems must be installed or modified in compliance with the state's code for power piping systems. The department issues permits for the installation of modification of these systems, and licenses contractors and pipefitters that do the work.

High pressure piping systems include piping where the pressure exceeds 15 psi (pounds per square inch) and exceeds 250° Fahrenheit, and high temperature and pressure liquid (i.e., water) piping where the pressure exceeds 30 psi. Ammonia piping systems include, among others, refrigeration systems in ice arenas, cold storage warehouses, and creameries.

Program Goals

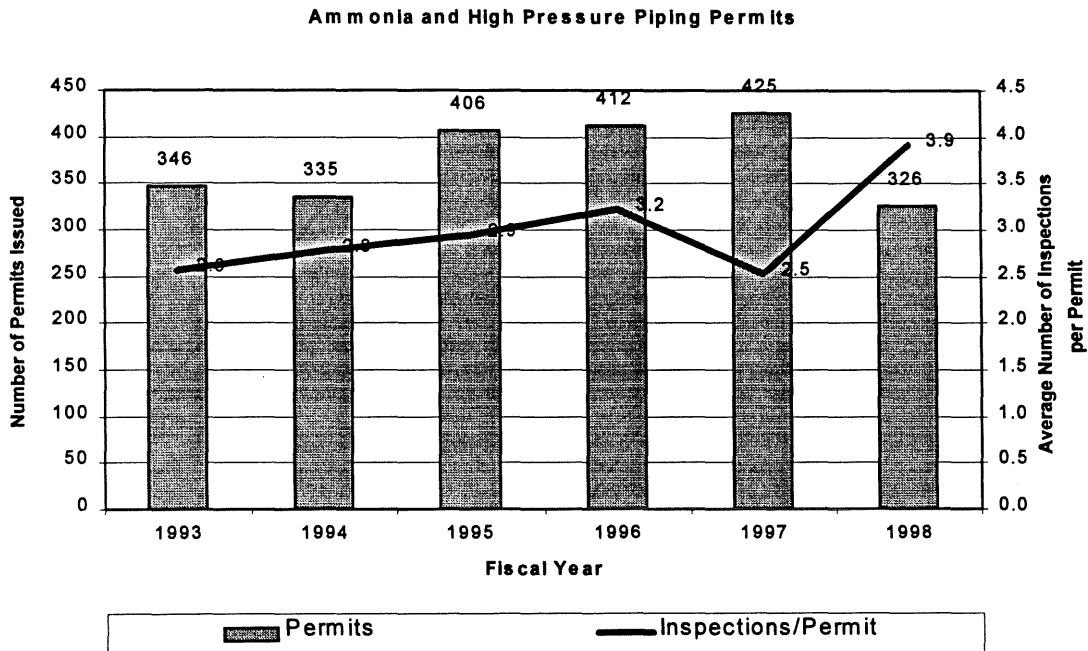
Code Administration and Inspection Services' goal is to assure public and workplace safety where boilers, pressure vessels, boats-for-hire, hobby boilers, and ammonia and high pressure piping systems are in operation by establishing and enforcing regulatory codes and standards, licensing boiler operators, boat pilots, and pipefitters, issuing permits to install or modify ammonia and high pressure piping systems, and conducting inspections.

Program Performance

The best potential measure of performance is the incidence of deficiencies recorded per 100 inspected objects (e.g., boilers, pressure vessels, boats-for-hire). State law requires that boilers be inspected annually and pressure vessels be inspected every two years.

In F.Y. 1998:

- 87.2 percent of the 13,531 boilers and pressure vessels assigned to department inspectors had current inspection certificates;
- 82.1 percent of the 62,594 boilers and pressure vessels assigned to insurers had current inspection certificates;
- 1,279 permits were issued by the department to install or modify ammonia and high pressure piping systems;
- 3.9 inspections per permit were conducted;
- 342 survey inspections were conducted to ascertain whether work on qualifying piping systems was underway, occurred, or being planned;
- 39,285 boiler operator licenses, 499 boat pilot licenses, 2,191 pipefitting licenses, and 306 contractor pipefitting licenses were issued or renewed; and,
- 3,570 boiler operator exams were given.



Source: Code Administration and Inspection Services from annual permit and inspection logs.

Investigative Services

Workers' compensation fraud and uninsured employers are investigated by Investigative Services, a separate unit within Labor and Industry. Allegations of fraud may be brought against claimants, insurers and their agents, employers, health care providers, and other service professionals such as attorneys and vocational rehabilitation providers. Completed investigations are then presented to local county attorneys for prosecution.

Productivity and efficiency of workers' compensation fraud and mandatory coverage investigations .

	F.Y. 1995	F.Y. 1996	F.Y. 1997	F.Y. 1998
Uninsured Employer Mandatory Coverage Investigations				
Total cases opened/reopened	5	402	371	375
Total cases closed/reclosed	2	340	393	349
Cases referred for penalty assessment	1	161	174	167
Percent of cases closed within 28 days of receipt	100%	37.1%	46.8%	45.4%
Workers' Compensation Fraud				
Total cases new or reopened	565	431	327	286
Total cases closed or reclosed	657	469	378	273
Cases referred to prosecution	58	45	18	16
Average total days per investigation	28.5	17.1	24.3	31.3
Average number of investigation days per referral to prosecution	116.9	130.9	119.9	167.15
Total WC fraud cost referred to prosecution	\$1,268,617	\$292,324	\$417,814	\$128,806
Number of fraud cases charged	33	17	16	9
Number of fraud cases declined	31	27	6	7
Percent of referred cases charged	51.6%	38.6%	72.7%	56.2%
Fraud convictions	22	14	14	9
Fraud cases dismissed	5	2	4	0

F u t u r e D i r e c t i o n s

Workers' Compensation

- DLI will focus its efforts on:
 - providing essential information for all stakeholders;
 - evaluating its internal efforts;
 - making suggestions to policymakers for necessary changes; and,
 - using its newly developed database to gather and analyze information about the recent changes in the workers' compensation system.

Workplace Violence Prevention

- DLI's Workplace Violence Prevention unit will continue to work with employer groups, schools and others who request assistance to help recognize, avoid and prevent violence in the workplace. The unit will continue to look for opportunities to form partnerships to develop educational plans, materials and presentations. Emphasis will be placed on educating high-risk industries, i.e., nursing homes, service stations, convenience stores, liquor stores and taxi cab services.

Information Technology

- Although technology activities in 1999 will be limited as the department focuses on ensuring Y2K compliance of all of its systems and components, new initiatives are already being planned:
 - Expanding imaging technology to other paper-intensive areas of the department;
 - re-engineering and rewriting existing business applications to run against the department's enterprise-wide database; and,
 - expanding DLI's Internet presence.

Apprenticeship

- The Apprenticeship unit will continue to successfully promote and expand apprenticeship opportunities for all citizens and employers in Minnesota. It will focus its efforts on:
 - continuing to approve veterans apprenticeship and on-the-job training programs that allow veterans to receive their G.I. Bill benefits;
 - maintaining a growth rate of 10 percent annually for new apprentices;
 - increasing the retention rate of women and minorities after they are enrolled; and
 - offering more diversity in occupations to increase youth apprenticeships.

OSHA's Workplace Safety Consultation

- OSHA Consultation will start working with several employers with more than 500 employees to help them become MNSTAR certified. MNSTAR is a new state voluntary safety and health recognition program that is patterned after the federal Voluntary Protection Program. It relies on an employer's extensive self-assessment of its own safety and health policies and programs to develop exemplary safety and health programs and keep injury and illness rates below state and national levels.

Department of Labor & Industry 1998 Performance Report

Data Sources

This report features data from the following department reports:

1997 Workers' Compensation System Report, Part 4, Claims and Cost Trends (1998)

The 1996 Workplace Safety Report (1998)

The Minnesota Department of Labor and Industry's 2000-2001 Biennial Budget

The Special Compensation Fund's 1998 Annual Report

1999 Report on the Collection & Assessment of Fines & Penalties

Data was also gathered from individual agency units.

Report prepared by:

Michael Houliston, Deputy Commissioner

Kate Kimpan, Research and Statistics Director

Kevin Wilkins, Code Services Director

Carol Kummer, Project Coordinator

James Honerman, Communications Director