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Governor Bill Walker

STATE OF ALASKA

January 23, 2018

The Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Edgmon,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the rehabilitation and reemployment of injured employees in the workers' compensation system. The bill improves the process of determining eligibility and developing reemployment plans for workers who cannot return to their former jobs as a result of a work-related injury, and proposes services to support employers in getting injured workers back on the job quickly.

The reemployment process is meant to provide severely injured workers with new skills to return to the labor market. However, developing workable reemployment plans within statutory constraints has grown increasingly difficult since the reemployment process was last reformed over ten years ago. This bill updates an outdated process with new approaches to provide adequate benefits while controlling costs, and to enhance the system's efficiency and fairness.

This bill would set the maximum cost for a reemployment plan at an amount that accounts for inflation since the last statutory increase in 2000, and provides for annual adjustments of the maximum cost based on the consumer price index. The bill would also increase the limited cash benefit for job dislocation to account for inflation since the benefit was created in 2005. Eligible employees would also have more choices in reemployment goals and plans. The law would no longer require that plans take the shortest amount of time for completion, although statutory time and cost limitations would still apply.

At the same time, the bill would help employers control costs by setting fees for the services of rehabilitation specialists who evaluate eligibility, and develop and monitor plans. The bill would limit the payment of stipend benefits that cover living expenses during the reemployment process to not more than one year before a plan is approved and not more than two years after a plan is approved. This helps employers control costs and curb abuse of the system by discouraging employees from delaying the reemployment process to receive additional stipend. Finally, the bill would also limit liability for employers for reemployment benefits by establishing a deadline for a worker to request these benefits.

The bill would reduce disputes over an employee's non-cooperation with the process by making participation by employees wholly voluntary. Eligibility evaluations would occur only upon an employee's written request and are bypassed if the employer and employee agree to the employee's eligibility. Also, eligible employees would have more time to choose the job dislocation benefit over continuing to participate in the reemployment process. Even after the period for selecting the job

dislocation benefit ends, an employee may choose to stop participating in the reemployment process at any time, ending an employer's ongoing liability for reemployment benefits. The process may be suspended on request if an employee's medical condition changes or the employee has other unusual and extenuating circumstances that prevent the employee from temporarily participating in retraining. Additionally, the bill would permit an employer to controvert and stop paying reemployment benefits if the employee is not willing to participate in the process.

Even though the reemployment process would be voluntary, the bill would encourage employees to return to work because it would not permit employees to settle reemployment benefits with their employers. Instead, employees eligible for reemployment benefits must choose to either complete a reemployment plan or take a job dislocation benefit. This avoids injured employees receiving large lump sums that they often do not use to complete retraining on their own.

The bill would also encourage employees' return to work by allowing the administrator to offer consultation services for employers on early return-to-work policies and programs. Returning injured workers to the job on light duty while they are recovering from their injury maintains their connection to the workforce, and minimizes lost wages and downtime. Moreover, studies have shown that the longer an injured worker remains off work, the less likely that the worker will return to the labor market. The proposed consultation services are meant to reduce the need for retraining and the overall cost of workers' compensation benefits by returning injured employees to work sooner.

Finally, the bill would make the process more efficient in three different ways. First, the bill would allow the reemployment benefits administrator to reconsider or modify decisions, and rehabilitation specialists to help parties modify plans, changing the cumbersome process under current law that requires parties to ask the Alaska Workers' Compensation Board for such adjustments. However, parties would still be permitted to seek Board review of the administrator's decisions in any matter. Second, because the number of qualified rehabilitation specialists is declining, the bill would provide greater flexibility for the administrator to assign and manage these specialists so that lack of availability does not delay eligibility evaluations and plan development. Third, the bill would extend the deadline for specialists to complete eligibility evaluations to 60 days, eliminating the requirement that they request more time if an evaluation is not completed in 30 days.

This bill would improve the delivery of reemployment benefits to injured workers, ensure reemployment benefits remain adequate, control employers' costs, and encourage the early return to work of injured employees for the benefit of both employees and their employers.

I urge your prompt and favorable action on this measure.

Sincerely,



Bill Walker
Governor

Enclosure