

SCCOMM

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# Alaska State Legislature

## House of Representatives

Official Business

House Labor & Management Committee

Vern Hurlbert, Chair

Pouch V  
State Capitol  
Juneau, Alaska 99811

Subcommittee on Workers' Compensation

Brian Rogers, Chair

2 P.M. February 13

Court Room A

### Legislative Consultant

Richard A. Fineberg ✓

### Department of Labor

Judy Dubois, Special Assistant  
Jackie McClintock, Director, Workers' Comp. Division  
Jim Souby, Director of Administrative Services

### Division of Insurance

John George, Deputy Director  
Don Koch, Market Surveillance Chief

### Claimant Attorneys

Lance Parrish, Esq.

### Additional Testimony

Richard Fring being ~~Con~~ (Again)

- Concur with giving more money
- don't know their own needs - playing catch-up ball

Simply giving \$ won't do it

Alpac made a deal w/ Alyeska for TAPS  
& has been pressed to cut budget??



Motion BR

New sec 2

The sum of \$211, ~~000~~<sup>200</sup> to

sec 3, sect 2 is capital approp  
& does not lapse

Title & change to include capital

Passed by UNan consent



Motion BR

Report out Bill with  
letter asking Finance to ~~do~~

Pamphlet if proposal is in

Passed by UNan consent

## Carroll-Smith Conf

leg. wt ~~to~~ travel last year +  
Missed round of hearings

[delay helps carriers & claimants settle <sup>get</sup> or, UI

NO provision  
in w.c. act  
for award  
of interest.

Cannot get on docket 2-3 weeks  
before hearing, then 90 days to decision  
to make it work well

1) New hearing officers

2) Stricter enforcement of law  
- Filing of Controversial Form

Do NOT overhaul system

Fbb's  
office  
does NOT  
even  
have a  
"set of  
larsons"

without delay - 1) ~~Prop~~ easier to get Atty's  
3) Delay makes penalty moot

Ad Hoc Committee:

once you dig into one side you must dig the other

- Might Add more lay Board Members
  - overworked - Need pool to draw from
  - need alternate members

penalties are deducted as cost  
- will be handled by regulation

This change  
and

10.6%	Plans benefit to Dents	
3.3	total Dents	32.3 Major
42.5	Demanded Partial	10.2 Minor (70000)
15.5	temporary total	
23.1	Medical	

Revised - does impact Rates

Get info  
on  
US  
Rates

Wisconsin Pamphlet  
States: Rates are low because  
litigation is low.

Dobos & McKintok  
we'll take aggressive Pole next year

Workers  
Comp  
would  
conform  
to other  
states

QBR cost & Brochure?  
Div. Make proposal ASAP

Lance Parrish, Esq. - lawyer  
see letter from

do much w.c. claimants work  
750-1000 cases

1) No doubt that there's a problem  
- usually works well

6  
Don Rock Cont

(will look for Dr Pennell)  
will look for time delay

QBR could that be moved up?

A. D.K. NO, probably not - I must do it

QBR with Funds could you contract?

A. J.G. Problem would be finding contractor

↳ Back seat issue

As long as it is a case is an adjudication  
with W.C. ~~was~~ Ins Div should not be  
involved

Ad Hoc Group to Review

Should be legal + medical staff (not just)

Alpac 56% of BB

will change - comes from their  
writing "wrap up" of pipeline covering  
all workers

- Div of Ins will take closer look at wrap up

- Share concern of monopoly (New Management)

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QBR Submit Estimates of Profit

Adv. <sup>Profit</sup> ~~Loss~~ 30% of Premium for "Expenses"  
Close to 20% of Premium to Benefits

Don Kohl:

Do Support Supplemental Approp.

Many things w.c. will do impact Ins Rates

Problems in the system forcing things into courts w.c. is to prevent that.

Pg 39 reference to AS 2330.030 (7)  
Div of Ins has Authority to intervene  
we refer complaints to w.c. Board.  
Have No role when board is working or  
when Insurer does not pay within

Support Booklet (div w.c. should do)

Have Not enforced payment within 14 days  
- because we don't know till too late  
w.c.

Do have ~~rate~~ responsibility to enforce

Q <sup>BR</sup> Have you ever done that

A NO

~~is~~ a dismaying size of problem

Div. Ins Has Power to examine <sup>Co's</sup> Expense

Beginning in July will initiate examinations  
Mechanical issues + will be looking at  
Claims primarily controverted cases

Alpay Indust Indem Fireworks Home in  
Employers of workers profited in CA Pool service

WJ

65

xcklntok

Q. How Many Penalties were Assessed?  
BR

A. xcklntok Don't know

Sec. 155 Employer Has 14

155(e) 14 more Days From due date  
till Penalty assessed.

Q. Confuse on W.C. States on From Wis  
BR W.C. Rates lower Employee Files  
Nothing at All. How?

A. would like to see info.

Q. Div. Ins has examine From Wis.

John George: "no demand from Wis.  
will get info from Wis"

John George Div Insurance Dpty Dir

Don Kochs Chief of Market Surveillance

Support Funding For W.C. request.

Dissagree with in Report (or need exp.)

2 W.C. Hearing Officer II's  
Will Free 2 JII's to do Full time Hearings  
Will reduce hearings to board  
Will Speed process

Capital Improvement Computer System  
Q (Rogers) if computer were included in this could you use more Management Information System

Jim Souby - M.I.S. Proposal

yes, current system antiquated  
Washington State Has very efficient system  
- will soon have more refined budget request with more info

Will have definite answers by March 14th  
if it were included in this Supplemental perhaps we could get it moving sooner

2 components

Legislative Digest  
less expensive 30k +

Prompting System  
INFO Handling System

would be built into STAIRS  
could start ASAP

→

BR Committee could put 211k into Supplemental HB 670

Q In-House Review less than 1/2 pd on time  
BR which were penalized.

A only those that went to hearing don't know  
mcklinck

2/14

3

Fineberg Conit  
Ad Hoc Panel:

Review cases in depth with  
their own investigators (the Board has none)  
AS 23.30.130. Board may change its own findings  
- Board swamped with Backlog  
Cannot catch up at this point

check

Booklets: (copy will be sent)

outline to Claimants - what to expect  
- law over 100 pages

Example: Lawyers are paid by Comp - pg 45

Summary: Long Range Problem

check  
Figures

Need vehicle to Address long term  
one car or holds over 1/2 market

Judy Dubois - D.O.L. special Asst  
Introduces Jackie McKintoh Dir. W.A. Div.  
FY 81 Budget, Capital Budget, SUPP Approp &  
HB 705 Farm Plan to much improve service

Q. (Hurlbert) is 54k Adequate?

A. (Dubois) This won't solve all the problems  
This could get the people on board by April 1st

Plan: 3 Additional Hearing Officers  
All decisions current by 1/1/81  
with Supplemental & Budget this can be done  
→ Totally devoted to Hearing Process

2/14 House Labour & Management  
Workers Comp Hearing 2

→ Dr. Richard Fineberg - Consultant  
prepared report for H. Com

Summary: Assigned to take quick look  
at W.C. Problems

Conclusions:

4 Operational Areas for Leg.

1) immediate support for Administration proposals  
for supplemental funding. - Also long term

~~2) ~~MSO support long term~~~~

2) Special Ad-Hoc Panel be setup  
to review claimants problems caught  
in the backlog

3) Booklet for workers explaining to claimants  
Rights & Problems

4) Long-Range Study of W.C.

- 1) Board System - structural changes
- 2) Industry Structure (Atac) - Delivery
- 3) Rate Structure, billing - investment income

Sources of claimant complaints:

Div of Insurance

OUIA

Div of Ins. Public Hearings

House Enforcement Committee Hearings

will Hear  
From Dept.

1 House Labor & Management

HJR 58 Extended Benefits

Judy Dubois

AK has been triggered onto the  
Extended Benefits Program  
(one of 2-3 states)

Fed law should be changed to  
Pay extended benefits to claimers

Rojos moves out Res

NO objection

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BRU NARRATIVE

CATEGORY Public Protection

BRU Workmen's Compensation  
Administration

AGENCY Department of Labor

Over 20,000 Alaska employees sustain work related injury or disease yearly with one in every 25 experiencing over three days loss of work. As a result, the injured worker incurs costly medical care and financial hardship because of loss of earnings. The Legislative intent of the Act is to minimize this impact by providing partial payment of economic loss and all medical costs for recovery through a process as simple and summary as possible.

The purpose of this BRU is to assure that Alaska workers suffering injury or disease arising out of their employment are provided in the most efficient and certain form, medical care and cash-wage benefits during disablement paid by their employers or the employer's insurance company and, if necessary, afforded the means to be retrained for return to gainful employment.

Currently, the division lacks the systems and staffing necessary for monitoring each claim to facilitate voluntary and prompt payment of benefits due and to provide an effective advisory service aimed towards reducing the number of disputed claims requiring formal Board hearings. The backlog of cases two and three years old and the lack of hearing officer resources to issue pending decisions has resulted in the injured worker waiting up to six months for Board adjudication of a disputed claim. These administrative delays compound the injured worker's losses, prolong disablement and prevent return to gainful employment. Further, delays greatly increase compensation costs to the employer in litigation fees and assessment of late payment penalties. The difficulty in parties obtaining a timely Board hearing and decision on disputed claims is being subjected to public criticism through picket lines and newspaper articles and a class action suit is pending in Superior Court for Board failure to administer claims within statutory time limits.

This BRU's mission to provide an adequate timely level of service to the injured and disabled Alaskan worker and to employers and their insurance carriers will be achieved by implementation of the following: (1) increase the availability of staff to three full-time positions to monitor claims as they occur, counsel claimants, resolve controversies at lowest level, review cases and files to secure receipt of timely reports and payments of compensation due, hold pre-hearing conferences to settle disputed claims; (2) Maintain three Workmen's Compensation Board panels and sufficient staff to serve as hearing officers to docket cases and to issue timely decisions; (3) increase the monitoring of employer reports of injury and insurance carriers' first payment reports through the implementation of a management information system and assignment of staff to review this activity; (4) expand public knowledge and understanding of employers' and insurance carriers' statutory responsibilities and requirements.

To prevent the destitution of the injured worker and the resulting drain on public assistance programs incident to uncompensated claims, it is essential that the workmen's compensation program be provided with a management system (capital budget request) and adequate staffing to carry out the legislative intent of the Act and to meet its statutory requirements.

WHICH SHORT-TERM PROGRAM OBJECTIVE IS BEING ADDRESSED? (FROM FORM P1A)	BRU FUNCTION NUMBER	HOW WILL THIS BRU CONTRIBUTE TO EACH PROGRAM OBJECTIVE BEING ADDRESSED?
<p>The program objectives have been restated to relate to events that have occurred since the formulation of the policy budget objectives. These include civil actions against the Workmen's Compensation Board seeking court mandates to meet statutory time limits.</p> <p>Reduce the incidence of disputed claims requiring Board hearing by 20 percent.</p> <p>Reduce from a 60 day average to a 30 day average, the number of days parties must wait for a case to be scheduled for hearing, and reduce from a 96 day average to 30 days or less the time period parties must wait for a Board decision after a hearing.</p> <p>Increase the percentage of compliance by insurance carriers with the requirement the first voluntary payment of compensation occur within 14 days; from 26 percent to 45 percent.</p> <p>Increase the percentage of compliance by employers with the requirement they report injuries to workers within 10 days, from 40 percent to 50 percent.</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p>	<p>Increase the availability of staff to three full-time positions to monitor claims as they occur, counsel claimants, resolve controversies at lowest level, review cases and files to secure receipt of timely reports and payments of compensation due, hold pre-hearing conferences to settle disputed claims.</p> <p>Maintain three Workmen's Compensation Board panels and sufficient staff to serve as hearing officers to docket cases and to issue timely decisions. With FY 81 capital funding, design and implement an automated system to assist the program in meeting this objective.</p> <p>Increase the monitoring of insurance carriers' first payment reports through the implementation of a management information system and assignment of staff to review this activity.</p> <p>Expand public knowledge and understanding of employers' statutory responsibilities and requirements. Establish controls which provide a monitoring system to insure timely reporting.</p>

AGENCY Department of Labor

PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

**1A BRU OBJECTIVES**

Page 1 of 1

REVISED DATE \_\_\_\_\_

**000245**

The Workmen's Compensation BRU provides the Alaska Workmen's Compensation Board with management and clerical support to carry out the provisions of the Alaska Workmen's Compensation Act. The Board is composed of three panels with two members each, representing industry and labor, appointed by the Governor, with the Commissioner of Labor or his designated representative serving as chairman. Board members are part-time and serve for only those days or part of days that hearings are in session.

Workmen's Compensation is a mechanism for providing cash-wage benefits and medical care to victims of work connected injuries. The cost of these injuries is ultimately placed on the consumer, through the medium of insurance, which is reflected in the cost of the product or service involved. The employer is required to purchase insurance or to qualify as a self-insured for injury to its employees.

Six basic objectives underline workmen's compensation laws. They are: 1) Provide sure, prompt and reasonable income and medical benefits to work-accident victims or income benefits to their surviving dependents, regardless of fault; 2) Provide a single remedy and reduce court delays, costs and work loads - arising out of personal injury litigation; 3) Relieve public and private charities of financial drains - incident to uncompensated industrial accidents; 4) Eliminate payment of fees to lawyers and witnesses as well as time consuming trials and appeals; 5) Encourage maximum employer interest in safety and rehabilitation - through appropriate experience rating mechanism, and 6) Promote study of causes of accidents (rather than concealment of fault) - reducing preventable accidents, human suffering, and economic loss.

The department's goal is to improve the Workmen's Compensation program to an efficient and effective function of the State as envisioned by the Legislature when it enacted the Workmen's Compensation Act. Over 20,000 employees sustain work related injury or disease yearly and, as result, incur costly medical care and financial hardship because of loss of earning capacity. The Act minimizes the impact on the injured worker by providing partial payment of economic loss and all medical costs for recovery. Delays due to controversy or lack of communication compound the losses, prolong disablement and prevent return of the injured to gainful employment. These delays greatly increase compensation costs to the employer which are passed on to the consumer. Historically each year, according to Division records, one person in every 25 employed will experience work injury that will cause over three days loss of work.

AGENCY Department of Labor PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

**2 ANALYTIC STATEMENT**

Page 1 of 5

REVISED  
DATE \_\_\_\_\_

**000246**

The Workmen's Compensation Division has specific and time-mandated statutory requirements for carrying out the provisions of the Act. The Act provides:

1. That the employer, or its insurance carrier pay costs of medical treatment and a portion of the employee's loss of wages as compensation without regard to fault. In exchange, the employee gives up the right to sue the employer for damages or negligence due to injury. The Act intended that such payment be paid promptly and that process and procedure be as summary and simple as possible.
2. Prompt medical care and first payment of compensation on the 14th day of disability. Employers and their insurance carriers make the first payment on or before the 14 days in only 26 percent of the approximate 7,500 time loss injuries that occur yearly in the State.
3. That employers will file with the Board a notice of injury to a worker within 10 days of such time as they learn of such an injury. At present in 40 percent of claims, the report is timely filed. An improvement to 50 percent is possible.
4. Prompt hearing and decision by the Alaska Workmen's Compensation Board (within 20 days) in disputed claims. The Board has been able to hold hearings every other month (60 days) and issue its decision within an average of 97 days.

The difficulty in parties obtaining a timely Board hearing and decision on disputed claims is being subjected to attack by the "Alaska Victims of Industrial Accidents" through picket lines and newspaper articles. In addition, a class action suit is pending in Superior Court, Fourth Judicial District, for Board failure to administer and process claims within statutory time limits. Similar demonstrations and court actions are anticipated if the BRU does not acquire the necessary staff to address the backlog of cases and to hold hearings and issue decisions timely. Current staff levels and existing systems are not and will not be adequate to carry out the legislative intent of the Workmen's Compensation program.

AGENCY Department of Labor PROGRAM AREA Worker Protection

BRU Workmen's Compensation

FY 81

**2 ANALYTIC STATEMENT**

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DATE \_\_\_\_\_

000247

To address the objectives and requirements as previously discussed, the Workmen's Compensation BRU is dependent on:

1. Adequate staffing necessary to monitor the performance of the insurance carriers, to resolve controversies prior to formal hearings, to enforce the time limits and procedures in the Act relating to voluntary payment of benefits, and to chair hearings.
2. Approval of the FY 81 Capital Budget to implement a management system.
3. Enactment of proposed legislation.

This BRU requests three additional worker's compensation officers to provide an effective advisory service to employees, employers, insurance companies, medical facilities and legal representatives as to procedures and all parties rights and obligations under the Act, aimed towards facilitating processing of claims and avoidance of litigation. It is well established that if the BRU had worker's compensation officers available to devote more time at the offset to controversy or misunderstanding a large percentage of disputed claims would be settled through voluntary and informal resolution of the issues at the first level. This would reduce the anxiety of injured employees and reduce the financial strain that often occurs while the employee is disabled from work and waiting up to six months for Board adjudication. Further, cost savings would be realized by the employer and its insurance carrier by reducing litigation costs and assessment of penalties for late payment.

The National Commission on the State Workmen's Compensation Laws stated:

It has become clear that Workmen's Compensation claims and statutes are, in practice, much more complicated than anticipated. Determination of compensability and the extent of disability are inherently controversial. Nevertheless, litigation might have been less frequent had State agencies provided enough positive assistance to workers who were unable by themselves to deal with the complexities of the law.

AGENCY Department of Labor

PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

**2 ANALYTIC STATEMENT**

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DATE \_\_\_\_\_

**000248**

Additionally the costs of hearings is not cheap. Travel and compensation for members of the Workmen's Compensation Board are additional expenses included in the administrative costs of this program. The number of days scheduled for Board hearings has more than doubled over the past five years.

Historically, the Board has spent about 130 days per year in hearings, and the hearing officers, who reduce the decisions to writing have issued approximately 350 decisions per year. The Board has been able to hold hearings every other month (60 days) and issue its decision within an average of 97 days. Through a 1979 amendment of the Act adding an additional panel of members, it is now possible to hold hearings regularly, rather than once every two months. However, the time frame for receipt of a request for hearing until the hearing is held has remained at over 60 days due to; (a) backlog of cases two and three years old, and (b) lack of hearing officer resources to issue pending decisions. By establishing the three worker's compensation officers, three current positions will devote their full time to hearings to address the continuing need of timely adjudication by the Workmen's Compensation Board.

The funding requested for FY 81 will enable the Board to schedule hearings on a timely basis within 30 days of notice and to provide the hearing officers adequate time and resources to research and write the Board's decisions within 30 days of hearing.

To effectively and efficiently meet all of the requirements and duties of the division and to provide adequate administrative support to the Board, a management plan has been developed calling for complete reorganization of the division. The Internal Review Section of the Department of Labor conducted a management review of the Workmen's Compensation Division, and many of the recommendations from the study were incorporated into the recently submitted capital budget request. In order to implement and operate the systems proposed in the capital budget, continuing support positions are needed. The management plan also establishes an administrative officer position to supervise the administrative process required to support the mediation and adjudication functions of the Board.

This BRU also requests full funding of a clerk-typist and microfilm operator formerly provided under CETA. These positions are a necessary part of the record-keeping function of the BRU and loss of them will seriously curtail this activity which is necessary for proper adjudication of claims and the gathering

AGENCY Department of Labor

PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

**2 ANALYTIC STATEMENT**

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DATE \_\_\_\_\_

**000249**

of information used in promulgation of industrial safety programs. CETA has discontinued financing these positions.

The Capital Budget request is the product of an internal review of the Division that provides for an information handling system which will allow the program to meet its policy goals and objectives.

The primary requirements for an upgraded data processing and information handling system are (1) front-end batch data entry of key claimant information, (2) timely updates to the system, (3) on-line inquiry capability through remote terminals in Juneau, Anchorage, Fairbanks, (4) front-end microfilming of all active files, and (5) batch entry and on-line retrieval capability of the legal digest of prior decisions from the Board.

The present method for monitoring the approximately 20,000 cases per year includes 4 manual processes: receipt, sorting, assignment of case numbers and coding. These amount to more than 180,000 clerical transactions per year. Of these transactions 9 out of 10 must be completed before the Division can respond to or resolve problems. The Division, due to limited funding and workload increases has been unable to complete these mandatory processes in a timely manner.

At this time, it is critical to provide the Workmen's Compensation BRU with the necessary staffing and resources to meet its statutory requirements and to provide an "adequate" level of service to injured and disabled Alaskan workers. Since 1972, the Division has repeatedly requested increased resources; repeatedly, these requests have been denied.

AGENCY Department of Labor

PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

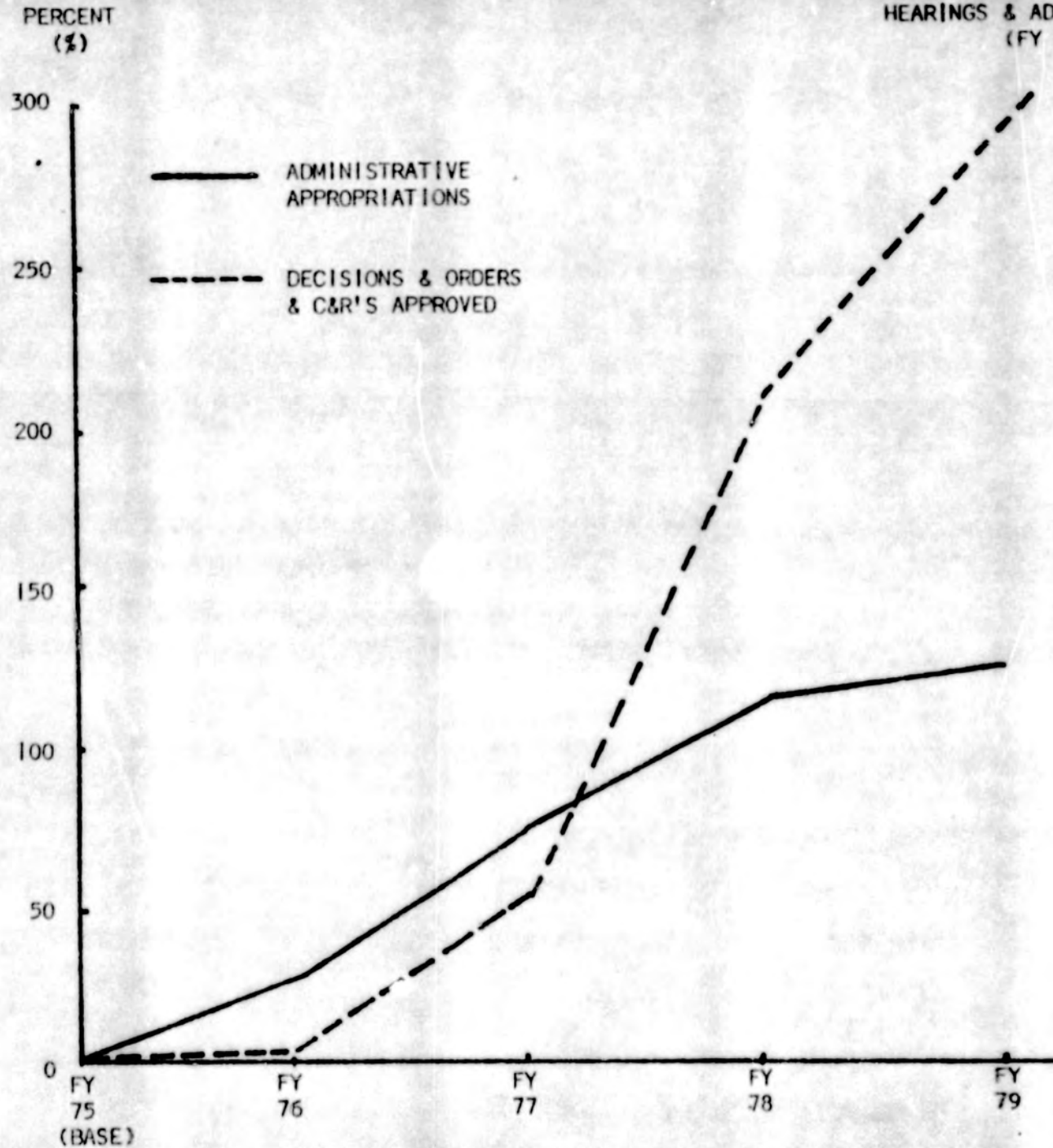
**2 ANALYTIC STATEMENT**

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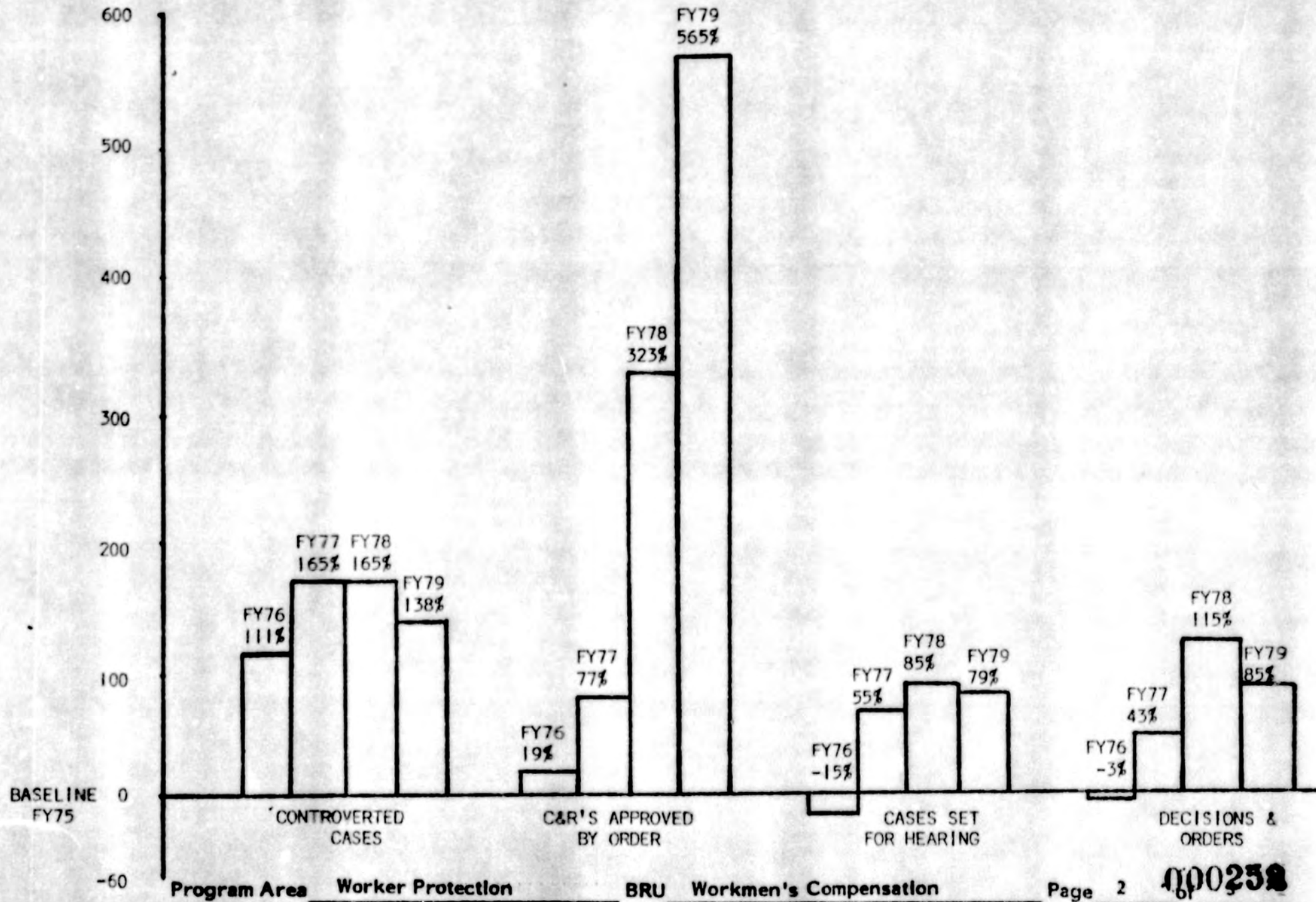
**000250**

PERCENTAGE INCREASE IN W/C BOARD  
HEARINGS & ADMINISTRATIVE APPROPRIATIONS  
(FY 75 BASE PERIOD)



PERCENT (%)

PERCENTAGE INCREASE IN W/ BOARD HEARINGS-FY75 BASE PERIOD



The proposed capital improvement program for Worker Protection involves one data processing project for Worker Compensation.

The project addresses Governor's policy themes 3 and 4 by providing Workmen's Compensation program an effective tool for capturing and managing complex interdependent sets of data and releasing staff resources to resolve client problems promptly. It also addresses program quality in a legal sense by providing access to precedence information, reducing the ad hoc nature of Workers Compensation Board decisions.

The policy objective addressed by this request are:

Policy Budget Obj. No.

2. Reduce from a 96 day average to 30 or less the number of days parties must wait for decisions of the Board after hearing.
3. Increase percentage of compliance by insurance carriers with statute requiring first payment of compensation within 14 days from 26 percent to 38 percent.

The impact of this request on these objectives is estimated to be as follows:

Obj. No.

2. Through prompt and secure information handling, the Compensation Officer/hearing officers will reduce incidence of resisted claims, reducing the Workers' Compensation caseload by 20%. Through access to precedence the quality and consistency of decisions will be increased and the time required for research will be reduced.
3. By automatic prompting of staff and notification of all delinquent parties to a claim, first payment timeliness will be improved. Reduced staff time in manual filing and retrieval will be applied to first payment monitoring and enforcement. The estimated impact is achievement of the long range objective in FY 82 and increasing the rate to over 50% compliance in FY 83. Concurrently, penalties may be promptly assessed at the Board level with a deterrence affect on the carriers.

Other Impacts are Anticipated

Access to claim files in the field offices will enable Compensation Officers to resolve disputes in the early stages, thereby reducing the number of board hearings. This will consequently reduce litigation and its costs for all parties. While this cost is not the main cost component to the parties it is an area that will benefit them.

CATEGORY Economic & Community  
Development

AGENCY Labor

PROGRAM Worker Protection

**31**

**ANALYTIC STATEMENT  
(Six-Year Capital Program)**

REVISED  
DATE \_\_\_\_\_

This proposed system will accomplish the following:

A. Claimant Injury File

1. Front-end entry of injury/illness reports.
2. Prompt timely first pays.
3. Prompt listings of missing information and/or reports.
4. Assist Worker Compensation Officers in maintaining current case files.
5. Allows Worker Compensation Officers to promptly docket controverted cases for Board hearings.
6. Provide accurate and timely management reports.
7. Monitor final pay of Employer/Carrier with affirmation of claimant.
8. Provide front-end coding for SDS report.
9. Identify Employer/Insurance carrier.

B. Legal Digest File

1. Provide Board with index of precedent decisions of similar cases.  
(indexed case files will be available at law libraries in Anchorage, Fairbanks and Juneau).
2. Provide claimants, Employer, and/or carriers with same information.
3. Insure consistent type of decisions from both panels of Board.
4. Provide new Board members with a learning tool to enable them to reach quick and logical decisions.
5. Maintain an updated central file of all Board and Court Decisions on Workers' Compensation cases.

CATEGORY \_\_\_\_\_

AGENCY \_\_\_\_\_

PROGRAM \_\_\_\_\_

**31**

**ANALYTIC STATEMENT**  
**(Six-Year Capital Program)**

REVISED  
DATE \_\_\_\_\_

WC

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Telephone  
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March 21, 1980

Honorable Vernon Hurlbert  
Chairman, Labor and Management  
Committee  
House of Representatives  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811  
(Mail Stop 3100)

MAR 26 RECD

RE: House Bill No. 705

Dear Representative Hurlbert:

This letter is directed to you as Chairman of the Labor and Management Committee and to the other members of this Committee in general concerning consideration of the above-referenced House Bill No. 705 relating to amendment of the Alaska Workmen's Compensation Act. Although efforts to amend the Alaska Workmen's Compensation Act through this Bill in order to clarify portions of the Act and to achieve the Act's underlying policy are certainly commendable, there are several sections of the Bill which I find objectionable. I have submitted under separate cover a letter to the Committee outlining and specifying several of the points which I find objectionable in proposed House Bill 705.

However, most importantly, before any Bill such as HB 705 is acted upon, it is incumbent that the legislature, and in this case the Labor and Management Committee, obtain as much public input as possible. Of primary concern, of course, would be the individuals and organizations who are most directly impacted by the Act and who must deal on a regular basis with the provisions of the Act and the Alaska Workmen's Compensation Board. Consequently, I think it is incumbent upon the Committee to hold public hearings particularly in Anchorage, Alaska, at which time any present claimants under the Act can add their input, as well as any attorneys representing claimants, such as myself and our organization, the Claimants Counsel Association; the insurance carriers and their attorneys; employers, unions and other interested parties.

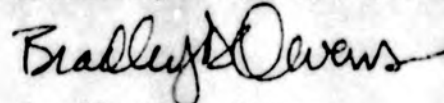
Honorable Vernon Hurlbert  
RE: HB 705  
March 21, 1980  
Page 2

Insofar as the bulk of the claims filed with the Workmen's Compensation Board are filed in Anchorage, Alaska and insofar as the greatest cross-section of population who would be interested in testifying likely resides in Anchorage, Alaska, I would strongly urge the committee to proceed with public hearings on this Bill or any other Bills considered by the Committee relating to the Alaska Workmen's Compensation Act here in Anchorage, Alaska.

I commend this matter to your attention and studied consideration. If I can assist in any way or if I can provide any further information with regard to such hearings, please do not hesitate to contact me at your convenience.

Very truly yours,

JERMAIN, DUNNAGAN & OWENS



Bradley D. Owens

BDO:cg

cc: Representatives Brian Rogers,  
Joe McKinnon, Mike Miller,  
Robert Bettisworth, Margaret Branson  
and Joe Hayes  
Senators Frank Ferguson,  
Bill Ray, Brad Bradley,  
Mike Colletta and Jay Kerttula  
Jackie McClintock, Director  
Alaska Workmen's Compensation Board  
Kathy Kolkhorst, Attorney General  
Juneau, Alaska

ALASKA  
STATE LEGISLATURE  
**MEMORANDUM**

*recd.* March 31, 1960

TO: Rep. Brian Rogers  
FROM: Rep. Ray Metcalfe  
RE: Workman's Comp. Committee  
appointments.

Dear Brian,

Please add these individuals to your list of those being considered for the special workman's compensation committee per Ray's request.

Thank you,  
*Ralph O. Bennett*  
Ralph O. Bennett

for: Ray Metcalfe

# TELEGRAM

ASSOCI. INC.  
PHONE: 686-6442  
JUNEAU, AK 99802

1980 MAR 25 PM 2 00

02259 TDA KENAI ALASKA 60 03-26 1135A AST

PMS REPRESENTATIVE RAY METCALF

JUNEAU AK **1694**

CONCERNING CSH59.

WE WOULD LIKE A NONVOTING MEMBER ADDED TO COMMITTEE FROM  
RATING BUREAU TO GIVE COST BEFORE ANYTHING GETS DONE. ALSO  
WE WANT THE EMPLOYER MEMBERS TAKEN FROM TRADE THAT PAY LARGE  
PERCENTAGES IE. OFFSHORE OIL INDUSTRY, BUILDING INDUSTRY,  
AIR CARRIERS, AGC, AND THE LOGGING INDUSTRY.

JOHN CATHCART, BROKER,

LEO OVERTS INSURANCE

EARON BUTLER, PRESIDENT, KENAI OIL FIELD INC.

PHONE: 686-6442  
JUNEAU, AK 99802

1980 MAR 26 PM 6 26

#  
22129 TDA KENAI ALASKA 41 03-26 120P AST

PMS REP RAY METCALF

JUNEAU AK

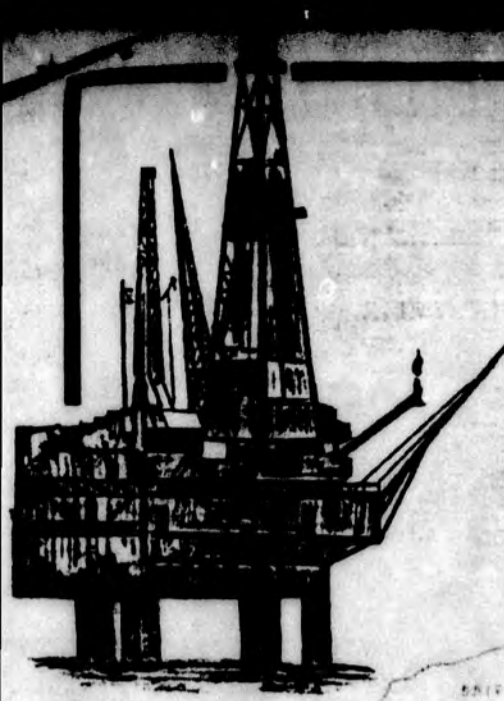
**1718**

STRONGLY URGE REEVALUATION OF ALASKA WORKMENS COMP MANAGEMENT  
IN ALASKA TO DEAL WITH EXISTING INEQUITIES. WE ALSO URGE THAT  
HIGH VOLUME, HIGH PAYING INDUSTRIES BE ABLE TO HAVE REPRESENTA-  
TIVES SIT ON THE EVALUATION BOARD.

JESSE WADE

RT 1 BOX 335

KENAI AK 99611



Ray Metcalfe  
 Alaska State Legislature  
 Pouch V  
 Juneau, Alaska 99811

March 28, 1980

Dear Ray,

Many thanks for your letter of 3/20/80 and the additional time you've spent on telephone calls to me regarding the Worker's Compensation premium situation.

As I stated in our telephone conversation of Wednesday night last, I wholeheartedly agree with the Study Group concept as outlined in CSHCR 59.

If this study group is formed, I would certainly welcome the opportunity of serving as one of the four proposed employer group members. I believe my background as an employer in the oil industry related service industry (in the "high" w/c premium category) would serve the group well.

With this in mind, I would appreciate my name being submitted to the Speaker of the House and to the President of the Senate for consideration.

Again, I want to state my appreciation to you and the other members of the Legislature who have contacted me and shown a genuine interest in helping solve this very serious employer problem.

Sincerely,

Barron Butler  
 Superintendent  
 KNA Oilfield Services, Inc.

enclosure: (1)

**KNA** OILFIELD SERVICES INC.

(907) 283-4851  
 Drawer 1030 • Kenai • Alaska • 99611  
 A SUBSIDIARY OF KENAI NATIVES ASSOCIATION, INC.



CORROON & BLACK/DAWSON & CO., INC.

2911 • Second Avenue  
P.O. Box C-34201  
Seattle, Washington 98124  
206-583-2300 Telex: 32-0215

January 9, 1980

B U L L E T I N

From: William C. Nelson  
Subject: Alaska Worker's Compensation Rates

Recently we have been advised by the Director of Insurance, State of Alaska, of several changes in Worker's Compensation rates, payroll reporting, and premium discounts. The purpose of this Bulletin is to bring you up-to-date on the various changes that will affect your Worker's Compensation Insurance.

A new schedule of rates went into effect December 1, 1979. This was in lieu of a rate change that was scheduled for January 1, 1979. The new rates will apply to all new and renewal policies after December 1, 1979. The overall effect of the new rate schedule is an average increase of 1.8% in Worker's Compensation rates in the State of Alaska. However, the average increase on contractors classifications is approximately 10.7%. The actual rates and amount of change will vary by classification.

All in force policies as of December 1, 1979 will be assessed a rate increase of 3.5%. Then, at the renewal date, all in force policies will be renewed in accordance with the new rate schedule effective December 1, 1979.

Effective April 1, 1980, the premium discount (size credit) factors will be amended as follows:

<u>PREMIUM</u>	<u>CREDIT</u>
\$ 0 - \$ 5,000	0
\$ 5,000 - \$100,000	9.5%
\$100,000 - \$500,000	11.9%
Over \$500,000	12.4%

The above represents a reduction in the overall size credits that had previously been allowed.

Page Two  
January 9, 1980


Alaska Worker's Compensation Rates

The present transition surcharge of 30% will remain in effect until June 1, 1980. Originally, it had been planned to drop the transition formula and surcharge as of June 1, 1979 and utilize unlimited payrolls on all Worker's Compensation policies. It has now been decided to leave the transition rule in effect at the same 30% surcharge until June 1, 1980 and at that time the payroll limitation rule will phase out and all premiums will be assessed on unlimited payrolls. Unlimited payrolls would be defined as total payroll less over-time credits. We have received some indication that a rate revision will be made as of June 1, 1980 to allow for the change in payroll reporting, i.e., unlimited versus limited payrolls.

Effective December 1, 1979, the maximum weekly payroll for corporate officers will be increased to \$800. This means that corporate officers should report their actual payroll not to exceed \$800 per week.

We will keep you advised of any additional information received relative to Worker's Compensation Rates and Rules.

Ray:  
Here is the very  
w/c premium thing that  
no one seems to know  
much about!



# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

JAY S. HAMMOND, GOVERNOR

POUCH K-STATE CAPITOL  
JUNEAU, ALASKA 99811  
465-3654

April 2, 1980

The Honorable Vernon Hurlbert  
Chairman, House Labor and Management  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Re: J-77-004-80

Dear Representative Hurlbert:

Regarding House Bill 705, an Act relating to "Workman's Compensation; and providing for an effective date", we would like to propose an amendment to eliminate the possibility that the statute could impair existing contracts between the employers and their carriers. Accordingly, we would like to suggest the addition of the following sentence to Sec. 23.30.040(b)(1):

The liability of an employer or an insurance carrier for payments to the fund is determined by provision of AS 23.30.040 in effect on the date of injury, including the percentage in effect on the date of injury as determined by AS 23.30.040(d).

The inserted sentence should be placed on page 1, line 23, after the word "disability;".

Sincerely yours,

AVRUM M. GROSS  
ATTORNEY GENERAL

By:

*Kathryn Kolkhorst*  
Kathryn Kolkhorst  
Assistant Attorney General

KK:jal

cc: Brian Rogers, Vice Chairman  
House Labor and Management  
Judy DuBois Special Assistant  
Department of Labor

03-C6LH

The proposed capital improvement program for Worker Protection involves one data processing project for Worker Compensation.

The project addresses Governor's policy themes 3 and 4 by providing Workmen's Compensation program an effective tool for capturing and managing complex interdependent sets of data and releasing staff resources to resolve client problems promptly. It also addresses program quality in a legal sense by providing access to precedence information, reducing the ad hoc nature of Workers Compensation Board decisions.

The policy objective addressed by this request are:

Policy Budget Obj. No.

2. Reduce from a 96 day average to 30 or less the number of days parties must wait for decisions of the Board after hearing.
3. Increase percentage of compliance by insurance carriers with statute requiring first payment of compensation within 14 days from 26 percent to 38 percent.

The impact of this request on these objectives is estimated to be as follows:

Obj. No.

2. Through prompt and secure information handling, the Compensation Officer/hearing officers will reduce incidence of resisted claims, reducing the Workers' Compensation caseload by 20%. Through access to precedence the quality and consistency of decisions will be increased and the time required for research will be reduced.
3. By automatic prompting of staff and notification of all delinquent parties to a claim, first payment timeliness will be improved. Reduced staff time in manual filing and retrieval will be applied to first payment monitoring and enforcement. The estimated impact is achievement of the long range objective in FY 82 and increasing the rate to over 50% compliance in FY 83. Concurrently, penalties may be promptly assessed at the Board level with a deterrence affect on the carriers.

Other Impacts are Anticipated

Access to claim files in the field offices will enable Compensation Officers to resolve disputes in the early stages, thereby reducing the number of board hearings. This will consequently reduce litigation and its costs for all parties. While this cost is not the main cost component to the parties it is an area that will benefit them.

CATEGORY Economic & Community  
Development

AGENCY Labor

PROGRAM Worker Protection

**31**

**ANALYTIC STATEMENT**  
**(Six-Year Capital Program)**

REVISED  
DATE

This proposed system will accomplish the following:

A. Claimant Injury File

1. Front-end entry of injury/illness reports.
2. Prompt timely first pays.
3. Prompt listings of missing information and/or reports.
4. Assist Worker Compensation Officers in maintaining current case files.
5. Allows Worker Compensation Officers to promptly docket controverted cases for Board hearings.
6. Provide accurate and timely management reports.
7. Monitor final pay of Employer/Carrier with affirmation of claimant.
8. Provide front-end coding for SDS report.
9. Identify Employer/Insurance carrier.

B. Legal Digest File

1. Provide Board with index of precedent decisions of similar cases.  
(indexed case files will be available at law libraries in Anchorage, Fairbanks and Juneau).
2. Provide claimants, Employer, and/or carriers with same information.
3. Insure consistent type of decisions from both panels of Board.
4. Provide new Board members with a learning tool to enable them to reach quick and logical decisions.
5. Maintain an updated central file of all Board and Court Decisions on Workers' Compensation cases.

CATEGORY \_\_\_\_\_

AGENCY \_\_\_\_\_

PROGRAM \_\_\_\_\_

31

ANALYTIC STATEMENT  
(Six-Year Capital Program)

REVISED  
DATE \_\_\_\_\_

BRU NARRATIVE

CATEGORY Public Protection

BRU Workmen's Compensation  
Administration

AGENCY Department of Labor

Over 20,000 Alaska employees sustain work related injury or disease yearly with one in every 25 experiencing over three days loss of work. As a result, the injured worker incurs costly medical care and financial hardship because of loss of earnings. The Legislative intent of the Act is to minimize this impact by providing partial payment of economic loss and all medical costs for recovery through a process as simple and summary as possible.

The purpose of this BRU is to assure that Alaska workers suffering injury or disease arising out of their employment are provided in the most efficient and certain form, medical care and cash-wage benefits during disablement paid by their employers or the employer's insurance company and, if necessary, afforded the means to be retrained for return to gainful employment.

Currently, the division lacks the systems and staffing necessary for monitoring each claim to facilitate voluntary and prompt payment of benefits due and to provide an effective advisory service aimed towards reducing the number of disputed claims requiring formal Board hearings. The backlog of cases two and three years old and the lack of hearing officer resources to issue pending decisions has resulted in the injured worker waiting up to six months for Board adjudication of a disputed claim. These administrative delays compound the injured worker's losses, prolong disablement and prevent return to gainful employment. Further, delays greatly increase compensation costs to the employer in litigation fees and assessment of late payment penalties. The difficulty in parties obtaining a timely Board hearing and decision on disputed claims is being subjected to public criticism through picket lines and newspaper articles and a class action suit is pending in Superior Court for Board failure to administer claims within statutory time limits.

This BRU's mission to provide an adequate timely level of service to the injured and disabled Alaskan worker and to employers and their insurance carriers will be achieved by implementation of the following: (1) increase the availability of staff to three full-time positions to monitor claims as they occur, counsel claimants, resolve controversies at lowest level, review cases and files to secure receipt of timely reports and payments of compensation due, hold pre-hearing conferences to settle disputed claims; (2) Maintain three Workmen's Compensation Board panels and sufficient staff to serve as hearing officers to docket cases and to issue timely decisions; (3) increase the monitoring of employer reports of injury and insurance carriers' first payment reports through the implementation of a management information system and assignment of staff to review this activity; (4) expand public knowledge and understanding of employers' and insurance carriers' statutory responsibilities and requirements.

To prevent the destitution of the injured worker and the resulting drain on public assistance programs incident to uncompensated claims, it is essential that the workmen's compensation program be provided with a management system (capital budget request) and adequate staffing to carry out the legislative intent of the Act and to meet its statutory requirements.

WHICH SHORT-TERM PROGRAM OBJECTIVE IS BEING ADDRESSED? (FROM FORM P1A)	BRU FUNCTION NUMBER	HOW WILL THIS BRU CONTRIBUTE TO EACH PROGRAM OBJECTIVE BEING ADDRESSED?
<p>The program objectives have been restated to relate to events that have occurred since the formulation of the policy budget objectives. These include civil actions against the Workmen's Compensation Board seeking court mandates to meet statutory time limits.</p> <p>Reduce the incidence of disputed claims requiring Board hearing by 20 percent.</p> <p>Reduce from a 60 day average to a 30 day average, the number of days parties must wait for a case to be scheduled for hearing, and reduce from a 96 day average to 30 days or less the time period parties must wait for a Board decision after a hearing.</p> <p>Increase the percentage of compliance by insurance carriers with the requirement the first voluntary payment of compensation occur within 14 days; from 26 percent to 45 percent.</p> <p>Increase the percentage of compliance by employers with the requirement they report injuries to workers within 10 days, from 40 percent to 50 percent.</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p>	<p>Increase the availability of staff to three full-time positions to monitor claims as they occur, counsel claimants, resolve controversies at lowest level, review cases and files to secure receipt of timely reports and payments of compensation due, hold pre-hearing conferences to settle disputed claims.</p> <p>Maintain three Workmen's Compensation Board panels and sufficient staff to serve as hearing officers to docket cases and to issue timely decisions. With FY 81 capital funding, design and implement an automated system to assist the program in meeting this objective.</p> <p>Increase the monitoring of insurance carriers' first payment reports through the implementation of a management information system and assignment of staff to review this activity.</p> <p>Expand public knowledge and understanding of employers' statutory responsibilities and requirements. Establish controls which provide a monitoring system to insure timely reporting.</p>

AGENCY Department of Labor

PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

**1A BRU OBJECTIVES**

Page 1 of 1

REVISED  
DATE

**000245**

The Workmen's Compensation BRU provides the Alaska Workmen's Compensation Board with management and clerical support to carry out the provisions of the Alaska Workmen's Compensation Act. The Board is composed of three panels with two members each, representing industry and labor, appointed by the Governor, with the Commissioner of Labor or his designated representative serving as chairman. Board members are part-time and serve for only those days or part of days that hearings are in session.

Workmen's Compensation is a mechanism for providing cash-wage benefits and medical care to victims of work connected injuries. The cost of these injuries is ultimately placed on the consumer, through the medium of insurance, which is reflected in the cost of the product or service involved. The employer is required to purchase insurance or to qualify as a self-insured for injury to its employees.

Six basic objectives underline workmen's compensation laws. They are: 1) Provide sure, prompt and reasonable income and medical benefits to work-accident victims or income benefits to their surviving dependents, regardless of fault; 2) Provide a single remedy and reduce court delays, costs and work loads - arising out of personal injury litigation; 3) Relieve public and private charities of financial drains - incident to uncompensated industrial accidents; 4) Eliminate payment of fees to lawyers and witnesses as well as time consuming trials and appeals; 5) Encourage maximum employer interest in safety and rehabilitation - through appropriate experience rating mechanism, and 6) Promote study of causes of accidents (rather than concealment of fault) - reducing preventable accidents, human suffering, and economic loss.

The department's goal is to improve the Workmen's Compensation program to an efficient and effective function of the State as envisioned by the Legislature when it enacted the Workmen's Compensation Act. Over 20,000 employees sustain work related injury or disease yearly and, as result, incur costly medical care and financial hardship because of loss of earning capacity. The Act minimizes the impact on the injured worker by providing partial payment of economic loss and all medical costs for recovery. Delays due to controversy or lack of communication compound the losses, prolong disablement and prevent return of the injured to gainful employment. These delays greatly increase compensation costs to the employer which are passed on to the consumer. Historically each year, according to Division records, one person in every 25 employed will experience work injury that will cause over three days loss of work.

AGENCY Department of Labor

PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

**2 ANALYTIC STATEMENT**

Page 1 of 5

REVISED  
DATE \_\_\_\_\_

**000246**

The Workmen's Compensation Division has specific and time-mandated statutory requirements for carrying out the provisions of the Act. The Act provides:

1. That the employer, or its insurance carrier pay costs of medical treatment and a portion of the employee's loss of wages as compensation without regard to fault. In exchange, the employee gives up the right to sue the employer for damages or negligence due to injury. The Act intended that such payment be paid promptly and that process and procedure be as summary and simple as possible.
2. Prompt medical care and first payment of compensation on the 14th day of disability. Employers and their insurance carriers make the first payment on or before the 14 days in only 26 percent of the approximate 7,500 time loss injuries that occur yearly in the State.
3. That employers will file with the Board a notice of injury to a worker within 10 days of such time as they learn of such an injury. At present in 40 percent of claims, the report is timely filed. An improvement to 50 percent is possible.
4. Prompt hearing and decision by the Alaska Workmen's Compensation Board (within 20 days) in disputed claims. The Board has been able to hold hearings every other month (60 days) and issue its decision within an average of 97 days.

The difficulty in parties obtaining a timely Board hearing and decision on disputed claims is being subjected to attack by the "Alaska Victims of Industrial Accidents" through picket lines and newspaper articles. In addition, a class action suit is pending in Superior Court, Fourth Judicial District, for Board failure to administer and process claims within statutory time limits. Similar demonstrations and court actions are anticipated if the BRU does not acquire the necessary staff to address the backlog of cases and to hold hearings and issue decisions timely. Current staff levels and existing systems are not and will not be adequate to carry out the legislative intent of the Workmen's Compensation program.

AGENCY Department of Labor PROGRAM AREA Worker Protection  
BRU Workmen's Compensation

FY 81

**2 ANALYTIC STATEMENT**

Page 2 of 5

REVISED  
DATE \_\_\_\_\_

**000247**

To address the objectives and requirements as previously discussed, the Workmen's Compensation BRU is dependent on:

1. Adequate staffing necessary to monitor the performance of the Insurance carriers, to resolve controversies prior to formal hearings, to enforce the time limits and procedures in the Act relating to voluntary payment of benefits, and to chair hearings.
2. Approval of the FY 81 Capital Budget to implement a management system.
3. Enactment of proposed legislation.

This BRU requests three additional worker's compensation officers to provide an effective advisory service to employees, employers, insurance companies, medical facilities and legal representatives as to procedures and all parties rights and obligations under the Act, aimed towards facilitating processing of claims and avoidance of litigation. It is well established that if the BRU had worker's compensation officers available to devote more time at the offset to controversy or misunderstanding a large percentage of disputed claims would be settled through voluntary and informal resolution of the issues at the first level. This would reduce the anxiety of injured employees and reduce the financial strain that often occurs while the employee is disabled from work and waiting up to six months for Board adjudication. Further, cost savings would be realized by the employer and its insurance carrier by reducing litigation costs and assessment of penalties for late payment.

The National Commission on the State Workmen's Compensation Laws stated:

It has become clear that Workmen's Compensation claims and statutes are, in practice, much more complicated than anticipated. Determination of compensability and the extent of disability are inherently controversial. Nevertheless, litigation might have been less frequent had State agencies provided enough positive assistance to workers who were unable by themselves to deal with the complexities of the law.

AGENCY Department of Labor PROGRAM AREA Worker Protection  
BRU Workmen's Compensation

**FY 81**

**2 ANALYTIC STATEMENT**

Page 3 of 5

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DATE \_\_\_\_\_

**000248**

Additionally the costs of hearings is not cheap. Travel and compensation for members of the Workmen's Compensation Board are additional expenses included in the administrative costs of this program. The number of days scheduled for Board hearings has more than doubled over the past five years.

Historically, the Board has spent about 130 days per year in hearings, and the hearing officers, who reduce the decisions to writing have issued approximately 350 decisions per year. The Board has been able to hold hearings every other month (60 days) and issue its decision within an average of 97 days. Through a 1979 amendment of the Act adding an additional panel of members, it is now possible to hold hearings regularly, rather than once every two months. However, the time frame for receipt of a request for hearing until the hearing is held has remained at over 60 days due to; (a) backlog of cases two and three years old, and (b) lack of hearing officer resources to issue pending decisions. By establishing the three worker's compensation officers, three current positions will devote their full time to hearings to address the continuing need of timely adjudication by the Workmen's Compensation Board.

The funding requested for FY 81 will enable the Board to schedule hearings on a timely basis within 30 days of notice and to provide the hearing officers adequate time and resources to research and write the Board's decisions within 30 days of hearing.

To effectively and efficiently meet all of the requirements and duties of the division and to provide adequate administrative support to the Board, a management plan has been developed calling for complete reorganization of the division. The Internal Review Section of the Department of Labor conducted a management review of the Workmen's Compensation Division, and many of the recommendations from the study were incorporated into the recently submitted capital budget request. In order to implement and operate the systems proposed in the capital budget, continuing support positions are needed. The management plan also establishes an administrative officer position to supervise the administrative process required to support the mediation and adjudication functions of the Board.

This BRU also requests full funding of a clerk-typist and microfilm operator formerly provided under CETA. These positions are a necessary part of the record-keeping function of the BRU and loss of them will seriously curtail this activity which is necessary for proper adjudication of claims and the gathering

AGENCY Department of Labor PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

**2 ANALYTIC STATEMENT**

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DATE \_\_\_\_\_

**000249**

of information used in promulgation of industrial safety programs. CETA has discontinued financing these positions.

The Capital Budget request is the product of an internal review of the Division that provides for an information handling system which will allow the program to meet its policy goals and objectives.

The primary requirements for an upgraded data processing and information handling system are (1) front-end batch data entry of key claimant information, (2) timely updates to the system, (3) on-line inquiry capability through remote terminals in Juneau, Anchorage, Fairbanks, (4) front-end microfilming of all active files, and (5) batch entry and on-line retrieval capability of the legal digest of prior decisions from the Board.

The present method for monitoring the approximately 20,000 cases per year includes 4 manual processes: receipt, sorting, assignment of case numbers and coding. These amount to more than 180,000 clerical transactions per year. Of these transactions 9 out of 10 must be completed before the Division can respond to or resolve problems. The Division, due to limited funding and workload increases has been unable to complete these mandatory processes in a timely manner.

At this time, it is critical to provide the Workmen's Compensation BRU with the necessary staffing and resources to meet its statutory requirements and to provide an "adequate" level of service to injured and disabled Alaskan workers. Since 1972, the Division has repeatedly requested increased resources; repeatedly, these requests have been denied.

AGENCY Department of Labor

PROGRAM AREA Worker Protection

BRU Workmen's Compensation

**FY 81**

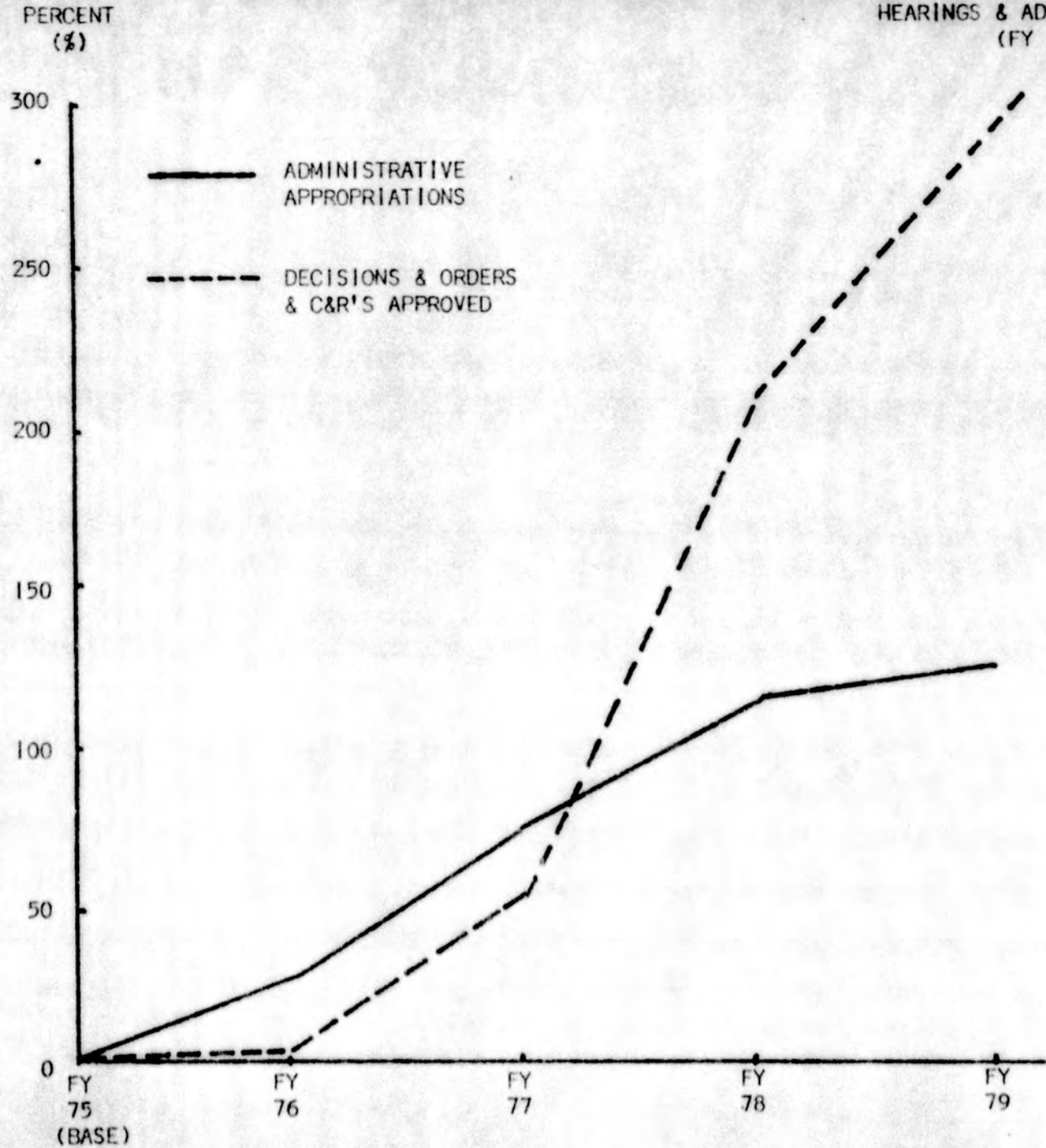
**2 ANALYTIC STATEMENT**

Page 5 of 5

REVISED  
DATE \_\_\_\_\_

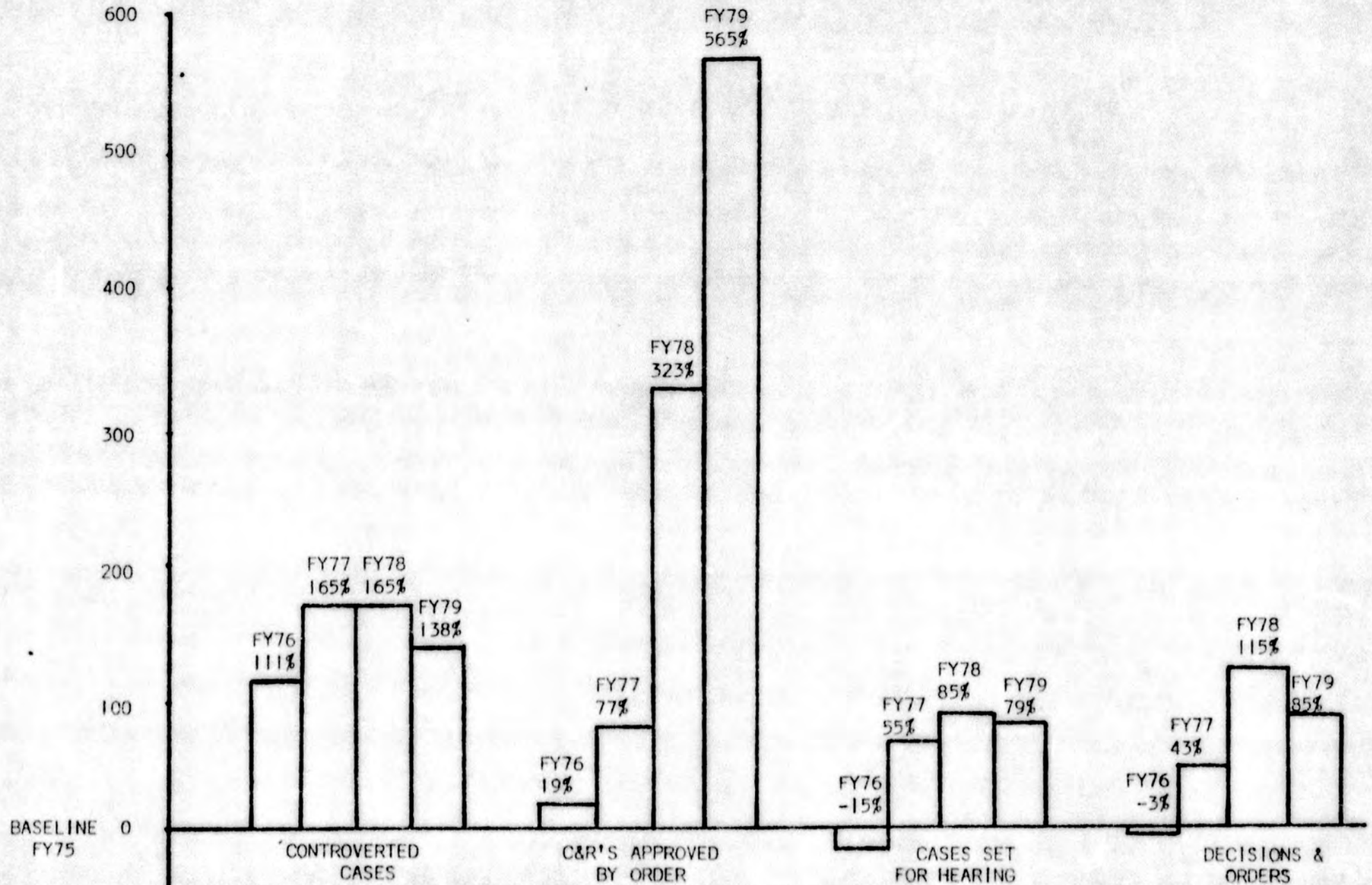
**000250**

PERCENTAGE INCREASE IN W/C BOARD  
HEARINGS & ADMINISTRATIVE APPROPRIATIONS  
(FY 75 BASE PERIOD)



PERCENT (%)

PERCENTAGE INCREASE IN W/  
BOARD HEARINGS-FY75 BASE PERIOD



BASELINE  
FY75

-60

Program Area Worker Protection

BRU Workmen's Compensation

Page 2

of 100258

Ron Lehr, Director  
Division of Budget & Management  
Office of the Governor

January 15, 1980

*Ed Orbeck*  
Edmund N. Orbeck, Commissioner  
Department of Labor

*ja*  
FY 80 Budget Supplemental for  
Administration of Workmen's  
Compensation

The Alaska Workmen's Compensation Board has been subjected to considerable public criticism through picket lines and newspaper articles due to its inability to render timely hearings and decisions on disputed claims. Additionally, a class action suit is pending in Superior Court for Board failure to administer claims within statutory time limits.

The non-existence of an effective and efficient management system to facilitate prompt processing of compensable claims and informal resolution of controversy at the initial level and the lack of hearing officer resources to chair hearings and issue pending decisions has resulted in the injured worker waiting over six months for adjudication of a disputed claim. These administrative delays compound the injured worker's losses, prolong disablement and prevent return to gainful employment. Further, delays greatly increase compensation costs to the employer in litigation fees and assessment of late payment penalties.

A supplemental appropriation is necessary to eliminate a present backlog of 120 cases that are pending issuance of a Board decision and to reduce a considerable backlog of cases on which parties have requested a hearing but have yet to be scheduled before the Board. Further, this appropriation will provide the means to initiate a management plan calling for the complete reorganization of the division with the primary thrust of minimizing litigation and maximizing the streamlined administrative handling of injuries and claims. Unless such a system is established, an inadequate level of service to both the injured worker and to the employer will continue, which can only result in time consuming and costly litigation for the parties concerned.

Consistent with the positions requested in the FY 81 budget, the personal services allocation will fund the following positions for three months each:

Workers Compensation Officer II	Anchorage
Workers Compensation Officer II	Fairbanks
Workers Compensation Officer I	Juneau
Administrative Officer II	Juneau
Clerk Typist III	Anchorage

Ron Lehr, Director

January 15, 1980

Page 2

The three workers' compensation officers will provide effective advisory services to employees, employers, insurance companies, medical facilities and legal representatives as to procedures and all parties rights and obligations under the Act, aimed towards reducing the incidence of disputed claims requiring Board hearing. By establishing the three lower level workers' compensation officers, three current positions experienced in chairing Board hearings will be able to devote full time to address the continuing need of timely Board adjudication.

The Administrative Officer position is an integral part of the management and reorganization plan to implement and operate the systems required to support the mediation and adjudication functions of the division and Board.

Funding of the Clerk Typist position is needed for transcription and legal typing service to the hearing officer in issuance of the Board decisions as well as general typing service to the Workmen's Compensation Officer.

Funding in the non-personal services categories provides for additional travel, commodities and contractual costs including monies for hearing officers to address the backlog of pending Board cases.

The request for a Supplemental Appropriation of \$54.6 to the FY 80 budget is critical if this BRU is to carry out the legislative intent of the Alaska Workmen's Compensation Act and to achieve the department's goal to improve the program to an efficient and effective function of the State.

Attachments

cc: ✓ Hon. Lt. Gov. Budget & Mgt. *Hand received*  
✓ Lynn Wright, B & M  
✓ Admin. Serv.  
✓ Workmen's Comp.  
✓ Judy Du Bois

# MEMORANDUM

TO:  Jerry Reinwand, Chairman  
Governor's Budget Review Committee

DATE: October 24, 1979

FILE NO: 465-2700

TELEPHONE NO:

*Ed Orbeck*  
FROM: Edmund N. Orbeck  
Commissioner  
Department of Labor

SUBJECT: **Capital Budget-  
Worker Protection**

Please find our Capital Budget request for Worker Protection Program attached. This request is the product of an internal review of the Workers Compensation Division and includes input from the Attorney General's staff. The request is based on our review of the State of Washington's Compensation system and the Division of Legislative Affairs "STAIRS" system. Both offer successful applications of data processing services to problems similar to ours.

This request is endorsed by the Department's Data Processing Advisory Committee and has been presented to the State Data Processing Advisory Council. General concurrence has been received from the Division of Data Processing who will assist the Department in detail planning.

We are requesting approval of funding for a request for proposal (RFP) to define needs and design an information handling system which will allow the program to meet or exceed its long range policy objectives by FY 83.

The Department and a representative from the Attorney General's staff will discuss this proposal with the BRC at our hearing, October 29, 1979.

cc: Geroge Crowder, Director, Division of Data Processing  
Chuck Gant, Chief, Life Cycle Cost, DOT/PF  
Ron Lehr, Director, Division of Budget and Management

*Agency's #1 Priority - Work/comp*

The proposed capital improvement program for Worker Protection involves one data processing project for Worker Compensation.

The project addresses Governor's policy themes 3 and 4 by providing Workmen's Compensation program an effective tool for capturing and managing complex interdependent sets of data and releasing staff resources to resolve client problems promptly. It also addresses program quality in a legal sense by providing access to precedence information, reducing the ad hoc nature of Workers Compensation Board decisions.

The policy objective addressed by this request are:

Policy Budget Obj. No.

2. Reduce from a 96 day average to 30 or less the number of days parties must wait for decisions of the Board after hearing.
3. Increase percentage of compliance by insurance carriers with statute requiring first payment of compensation within 14 days from 26 percent to 38 percent. 1981

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Obj. No.

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Other Impacts are Anticipated

Access to claim files in the field offices will enable Compensation Officers to resolve disputes in the early stages, thereby reducing the number of board hearings. This will consequently reduce litigation and its costs for all parties. While this cost is not the main cost component to the parties it is an area that will benefit them.

CATEGORY Economic & Community  
Development

AGENCY Labor

PROGRAM Worker Protection

**31**

**ANALYTIC STATEMENT**  
(Six-Year Capital Program)

REVISED  
DATE

This proposed system will accomplish the following:

A. Claimant Injury File

1. Front-end entry of injury/illness reports.
2. Prompt timely first pays.
3. Prompt listings of missing information and/or reports.
4. Assist Worker Compensation Officers in maintaining current case files.
5. Allows Worker Compensation Officers to promptly docket controverted cases for Board hearings.
6. Provide accurate and timely management reports.
7. Monitor final pay of Employer/Carrier with affirmation of claimant.
8. Provide front-end coding for SDS report.
9. Identify Employer/Insurance carrier.

B. Legal Digest File

1. Provide Board with index of precedent decisions of similar cases.  
(indexed case files will be available at law libraries in Anchorage, Fairbanks and Juneau).
2. Provide claimants, Employer, and/or carriers with same information.
3. Insure consistent type of decisions from both panels of Board.
4. Provide new Board members with a learning tool to enable them to reach quick and logical decisions.
5. Maintain an updated central file of all Board and Court Decisions on Workers' Compensation cases.

CATEGORY \_\_\_\_\_

AGENCY \_\_\_\_\_

PROGRAM \_\_\_\_\_

31

ANALYTIC STATEMENT  
(Six-Year Capital Program)

REVISED  
DATE



CAPITAL PROJECT EXPENDITURES (CASH FLOW)	TOTAL	BUDGET YEAR	BUDGET YEAR Plus 1	BUDGET YEAR Plus 2	BUDGET YEAR Plus 3	BUDGET YEAR Plus 4	REMAINING COST
Planning and Engineering							
Land							
Construction							
Equipment							
Administration and Other							
Total Annual Expenditure (Capital Cost)							

**CONTINUATION OF NARRATIVE**

a Compensation Officer, again removing the case records from circulation for review by the Second Injury Fund Officer or response to an inquiry.

A second objective of the Workmen's Compensation Division is to reduce the time the parties must wait for decisions of the Board after hearings. There is currently no retrieval system for researching Board or Supreme Court decisions; consequently decisions issued by the two regional panels are sometimes inconsistent with precedence and even each other. Access to a digest of prior decisions will provide a much needed research tool that will enable the Board to issue orders promptly and consistent with prior decisions. This will reduce hearings which are a result of court remands or Board modifications. The digest will provide immediate access to claimants and Employer/Carriers on precedent rulings of the Board and/or Court on similar issues which may enable the parties to resolve a dispute without a Board hearing. Also, the digest will be invaluable for training Board Members and Division staff.

II. Project Description

The primary requirements for an upgraded data processing and information handling system are (1) front-end batch data entry of key claimant information, (2) timely updates to the system, (3) on-line inquiry capability through remote terminals in Juneau, Anchorage and Fairbanks, (4) front-end microfilming of all active files, and (5) batch entry and on-line retrieval capability of the legal digest of prior decisions from the Board.

To achieve these results, a Request For Proposal will be issued for a multi-phase project to include (1) definition of user requirements, (2) general design with redefined requirements of the project in phase I, (3) detail design and (4) programming through implementation. The Request For Proposal will further specify a random access microfilm capability under central office control and access to the Legislative Affairs STAIRS system for the legal digest of decisions.

The initial definition phase will include analysis of the current system for possible modification, as well as a feasibility study to determine the extent to which the existing programs from other model states can be adapted to Alaska's requirements. These programs are available to the extent adaptability is determined.

CATEGORY Economic & Community Development AGENCY Labor PROGRAM Worker Protection  
 PROJECT TITLE Workers Comp. Information Handling System

**35b** PROPOSED PROJECT ANALYSIS

REVISED DATE

CAPITAL PROJECT EXPENDITURES (CASH FLOW)	TOTAL	BUDGET YEAR	BUDGET YEAR Plus 1	BUDGET YEAR Plus 2	BUDGET YEAR Plus 3	BUDGET YEAR Plus 4	REMAINING COST
Planning and Engineering							
Land							
Construction							
Equipment							
Administration and Other							
Total Annual Expenditure (Capital Cost)							

CONTINUATION OF NARRATIVE

The physical requirements would be:

- (a) 1 3M Micrapoint I Type Microfilm System
- (b) 6-8 input-inquiry Terminals
- (c) Disc Pacs for both claimant files and legal digest files
- (d) Word processing system for decision writing which either direct accesses the computer or provides input to the computer. (possibly compatible with ATMS).

III. Documentation of Capital Costs

1 Microfilm: Estimate is based on a 3M micrapoint I type system:

Systems Interface	-	\$ 2,251	
Mini computer	-	11,562	
600 Reader-Printer	-	8,700	
Screen	-	62	
Lens	-	191	
Work Station	-	747	
1st year maintenance-		2,700	
TOTAL	-	26,213	(1)

- 2 Definition of User Requirements - 25,000 (2)
- 3 General Design - 20,000 (2)
- 4 Detail Design - 60,000 (3)
- 5 Programming through Implementation- 80,000 (4)

*185,000  
See what?*

- (1) This cost is based on current quotes for a random access type microfilming and retrieval system.
- (2) These estimates are based on the study done in 1977 with a 15% increase added due to inflation. This study was done for the automation of the Pressure Vessel inspection and billing system.

CATEGORY Economic & Community AGENCY Labor PROGRAM Worker Protection  
 PROJECT TITLE Development Workers Comp. Info. Handling System

35b

PROPOSED PROJECT  
ANALYSIS

REVISED

CAPITAL PROJECT EXPENDITURES (CASH FLOW)	TOTAL	BUDGET YEAR	BUDGET YEAR Plus 1	BUDGET YEAR Plus 2	BUDGET YEAR Plus 3	BUDGET YEAR Plus 4	REMAINING COST
Planning and Engineering							
Land							
Construction							
Equipment							
Administration and Other							
Total Annual Expenditure (Capital Cost)							

**CONTINUATION OF NARRATIVE**

- (3) This estimate takes into consideration using an existing system from a model state and redesign to meet the user needs. This Department has reviewed the Washington Department of Labor and Industries system and determined that this program would provide the necessary requirements of the Worker's Compensation Division.
- (4) This estimate would be refined further in the final phase with costs of equipment, capability and availability of DP facilities in place at that time.

IV. Analysis of Estimated Impact on Operating Budget

The system envisioned will require on going operational funding in two cost objects within Workmen's Compensation;

A. Year One (FY 82)

300 contractual

Annual Cost

382 Data Processing services equipment rent through Division of Data Processing (DDP):

a. 1 Terminal at Fairbanks with printer/line charges/modem	6,760
b. 2 terminals at Anchorage	13,520
c. 3 terminals at Juneau	20,280
d. DDP-charge back for storage; I/O usage; printing; overnight batch processing; inquiry (CPU,etc.) @ 200/workday	50,000
e. Personnel costs for (1.0 FTE) Programmer/analyst maintenance	35,000
TOTAL 382	125,560

CATEGORY Economic & Community Dev.

AGENCY Labor

PROGRAM Worker Protection

PROJECT TITLE Workers Comp. Info. Handling System

**35b**

PROPOSED PROJECT  
ANALYSIS

REVISED  
DATE

CAPITAL PROJECT EXPENDITURES (CASH FLOW)	TOTAL	BUDGET YEAR	BUDGET YEAR Plus 1	BUDGET YEAR Plus 2	BUDGET YEAR Plus 3	BUDGET YEAR Plus 4	REMAINING COST
Planning and Engineering							
Land							
Construction							
Equipment							
Administration and Other							
Total Annual Expenditure (Capital Cost)							

CONTINUATION OF NARRATIVE

400 Commodities

480 Operating Supplies

- a. Microfilm supplies for random access microfilm equipment
- b. Paper for Terminal printers

5,000

2,000

TOTAL 480

7,000

GRAND TOTAL OPERATING COSTS

132,560

B. Year Two (FY 83)

- 382(e) 1/2 FTE maintenance
- Contractual Total

18,000

100,800

480(a)&(b) 7% Inflation

7,490

GRAND TOTAL OPERATING COSTS

108,290

V. Identification of Alternatives

- A. The Department will request RFP respondents to identify viable alternative systems in response to Phase I.
- B. An alternative is to leave the system as it is. The increasing court interest and inefficiency in information handling make continuance of a manual system undesirable in both a "quality of decision" and "timeliness" sense. The Department introduced administrative reforms in FY 78 with limited Data Processing support. The system was soon swamped and discarded because it didn't offer a solution that was meaningful in terms of timely output and workload reduction. (i.e., no ready access to information, no machine prompting on problems developing). It just changed the manual handling techniques.
- C. An alternative is to adopt only one inquiry system ("STAIRS" model or claim processing).

CATEGORY Economic & Community Development AGENCY Labor PROGRAM Worker Protection  
 PROJECT TITLE Workers Comp. Info. Handling System

**35b**

PROPOSED PROJECT ANALYSIS

REVISED DATE

CAPITAL PROJECT EXPENDITURES (CASH FLOW)	TOTAL	BUDGET YEAR	BUDGET YEAR Plus 1	BUDGET YEAR Plus 2	BUDGET YEAR Plus 3	BUDGET YEAR Plus 4	REMAINING COST
Planning and Engineering							
Land							
Construction							
Equipment							
Administration and Other							
Total Annual Expenditure (Capital Cost)							

CONTINUATION OF NARRATIVE

1. Adaptation of "STAIRS" model, only, could be done for less cost since it is an adaptation of an existing system.
2. Adaptation of the claims processing system is more complex and would probably cost almost as much to design and implement as the total package since a model states system would require adaptation to Alaska's requirements.

CATEGORY Economic & Community Dev. AGENCY Labor PROGRAM Worker Protection

PROJECT TITLE Workers Comp. Info. Handling System

**35b**

PROPOSED PROJECT  
ANALYSIS

REVISED  
DATE

ALASKA STATE LEGISLATURE  
HOUSE COMMITTEE ON LABOR AND MANAGEMENT  
HEARINGS ON ALASKA EMPLOYMENT OPPORTUNITIES  
NOVEMBER 2, 1979  
FAIRBANKS CITY COUNCIL CHAMBERS

Testimony of Susan R. Fison  
Director of Socioeconomic Affairs  
Northwest Alaskan Pipeline Company

PROJECT SCHEDULE

Our current project schedule calls for gas pipeline completion during the 1984-85 winter heating season. However, this schedule is based upon the following critical assumptions:

- (1) That the conditioning plant can be completed by the oil producers and made operative by fall 1984;
- (2) That the basic system design characteristics remain unchanged;
- (3) That the project financing plan will be completed by mid-1980;
- (4) And that government permits and other authorizations are made in a timely manner.

Our major engineering, planning and field activities are now directed toward preparation of our Final Certificate FERC filing in June 1980. Although we anticipate an increase in our Alaskan staff and field activities in 1980, the level of increase will not be determined until the project sponsors approve the budget in early December.

We anticipate that negotiations on a project labor agreement will begin in 1980. Alyeska negotiated its project labor agreement directly with the labor unions. However, given that our pipeline will utilize fixed price contracts, we plan that the project labor agreement will be negotiated between the labor unions and a contractor's association.

Under our current project schedule, we hope to receive an unincumbered FERC certificate in the first quarter of 1981. Following issuance of the certificate, we plan to renovate the Alyeska camps, initiate preliminary work on material site development and mobilize for pipeline construction. Civil construction is scheduled to begin in Spring 1982. The peak employment on the project should occur in 1983 when we begin the pipeline construction spreads and compressor station construction. Gas is scheduled to flow through the pipeline during the 1984-85 winter heating season.

#### COMPARISON OF ALYESKA AND NORTHWEST PROJECTS

Although the Alyeska and Northwest Alaskan pipelines are roughly the same size and length, employment on our project will be substantially less due to major differences in the scope of work for these projects.

The Alyeska line required building 412 miles of haul road and 137 miles of access roads. By comparison, we will be building only a few miles of access roads and will utilize the existing haul road. Total earthwork on the Alyeska project was 93 MM cubic yards of borrow, compared to only 18 MM cubic yards on the gasline.

Alyeska was also required to build 20 bridges (including one across the Yukon River), 14 airfields, 19 pipeline camps and the Valdez terminal. Northwest must only renovate existing camps and relocate three existing Alyeska camps to the area between Delta Junction and the Canadian Border. Another major difference in the scope of the two projects is that the Alyeska line was elevated and insulated for more than half its length. By contrast, the Northwest project will utilize conventional buried pipeline construction.

## EMPLOYMENT PROJECTIONS

In July 1978 Northwest submitted the following preliminary estimates of peak manpower for the Alaska segment of the gas pipeline. In the first year of construction (which according to our present schedule would be 1982) we project a peak direct craft employment of 2,180 persons, with 7,000 in 1983 and 6,520 in 1984.

These figures are frequently compared to Alyeska's manpower which peaked at about 21,000. However, this Alyeska figure includes both direct and indirect employment. The projections we have released to date include only direct field construction craft employment. They do not include administrators, managers, inspectors, security guards, and a large number of other construction support personnel.

On the Alyeska project, roughly one and one-half man-hours of indirect employment were required for every man-hour of direct employment. On the North Slope, ARCO has averaged one hour of indirect manpower for every hour of direct manpower. Thus it is possible that the peak direct and indirect work force required for our project could be over 10,000 persons. In addition, it is likely that considerable "secondary employment", such as increases in service, trade, government and other sectors, will be generated by gas pipeline construction.

## ALASKA HIRE

Some people have been misled to believe that without an Alaska Hire law, residents will not have sufficient leverage to fully participate in the gas pipeline project. For the oil pipeline this may have been the case because Alaska contractors, vendors and construction workers had no experience with construction of a "big inch" pipeline. However, today a substantial proportion of the state's construction industry has the advantage of both Alaska expertise and pipeline construction experience.

In recent testimony on the gas pipeline before the U.S. House Subcommittee on Oversight and Special Investigations, Frank P. Moolin, Jr., former Senior Project Manager for the pipeline portion of the Alyeska project, stated:

" I believe there will be significant local contractor involvement, to a much greater extent than existed on the crude line. This will happen for several different reasons. Firstly, the demand for contracting services in the state is probably going to be depressed, just as it is now. That means more local contractors will be available and will be willing to work on unit price or even hard dollar contracts for much of the site preparation, opening of material sites, installation of work pad, stockpiling select material, installing new camps, etc. Also, because of the crude line, the capabilities of local contractors have improved. Local contractors now have a cadre of personnel available that gained considerable experience on the crude line."

#### ALASKA LABOR SUPPLY

In 1978 I was working for the Fairbanks North Star Borough when Northwest released their employment projections. About the same time, the Alaska Department of Labor made a survey of unions in the State to determine their membership and out-of-work statistics. I prepared a table which compared NAPLINE'S projected peak employment for each craft (except welders) with the number of union members out of work. I naively concluded that with the exception of welders, there were a sufficient number of out-of-work union members to accommodate peak gas pipeline construction employment demands.

Since joining Northwest Pipeline, I have had discussions with our construction planning staff, with Foothills personnel, former Alyeska management and others, and have come to realize that the total number of members out-of-work in a union

is not a sufficient basis to conclude that there are Alaskans who can fill all job classifications. Even if we had employment projections for individual job classifications, unions generally do not maintain employment records which would be adequate to determine how many of their members are qualified for each job classification. This level of detail is not a problem for unskilled and some semi-skilled job classifications. It is likely, for example, that the nearly 4,000 Laborers and 5,500 Teamsters who were out of work in June 1979 would be more than sufficient to meet most of our project demands for these crafts.

We do not yet have a good assessment of which job classifications are in short supply in the Alaska labor market. However, our Canadian partner, Foothills Pipelines, anticipates that pipeline job classifications which will likely be in short supply include sideboom operators, specialty equipment operators (such as ditchers, backhoes, clam shells, draglines and loaders), welders and mechanics.

In general, the skill and experience levels required for compressor and metering station construction are not as great as in some of the skilled pipeline construction job classifications. Whether a sufficient supply of Alaskans in trades such as pipefitters and electricians will be available for compressor station construction may be dependent on the timing of other projects such as the gas conditioning plant, the Alpetco Refinery and the California LNG project.

#### PLANNING FOR ALASKA MANPOWER AND CONTRACTING OPPORTUNITIES

Northwest and Fluor, our project management contractor, recently established a task force which is preparing detailed manpower estimates for the project. We anticipate that these will be available in mid-1980 when we file for our final FERC certificate. This group is also developing plans for Equal Employment Opportunity, Minority Business and Affirmative Action. The task force is chaired by Peter Stevens, our Vice President for Administrative Services, who is also a

member of the Governor's Manpower Advisory Planning Council.

One criticism of Alyeska was that its projections of Alaska employment and socioeconomic impacts were very inaccurate. We are confident that our projections will be more accurate because:

- (1) We can draw upon experience gained during the Alyeska project;
- (2) Our design and construction methods are less complex;
- (3) A much greater proportion of our design will be complete before construction begins;
- (4) We will be able to use well-established state models to forecast population and other socioeconomic impacts of our project.

In July of last year, we held meetings in Anchorage and Fairbanks to inform contractors of bidding procedures for gas pipeline work. Field Services Subcontractor Questionnaires and Vendor/Supplier Qualification Appraisal forms were distributed to participants. Fluor, our project management contractor, uses these forms to help identify potential Alaska firms for contracting.

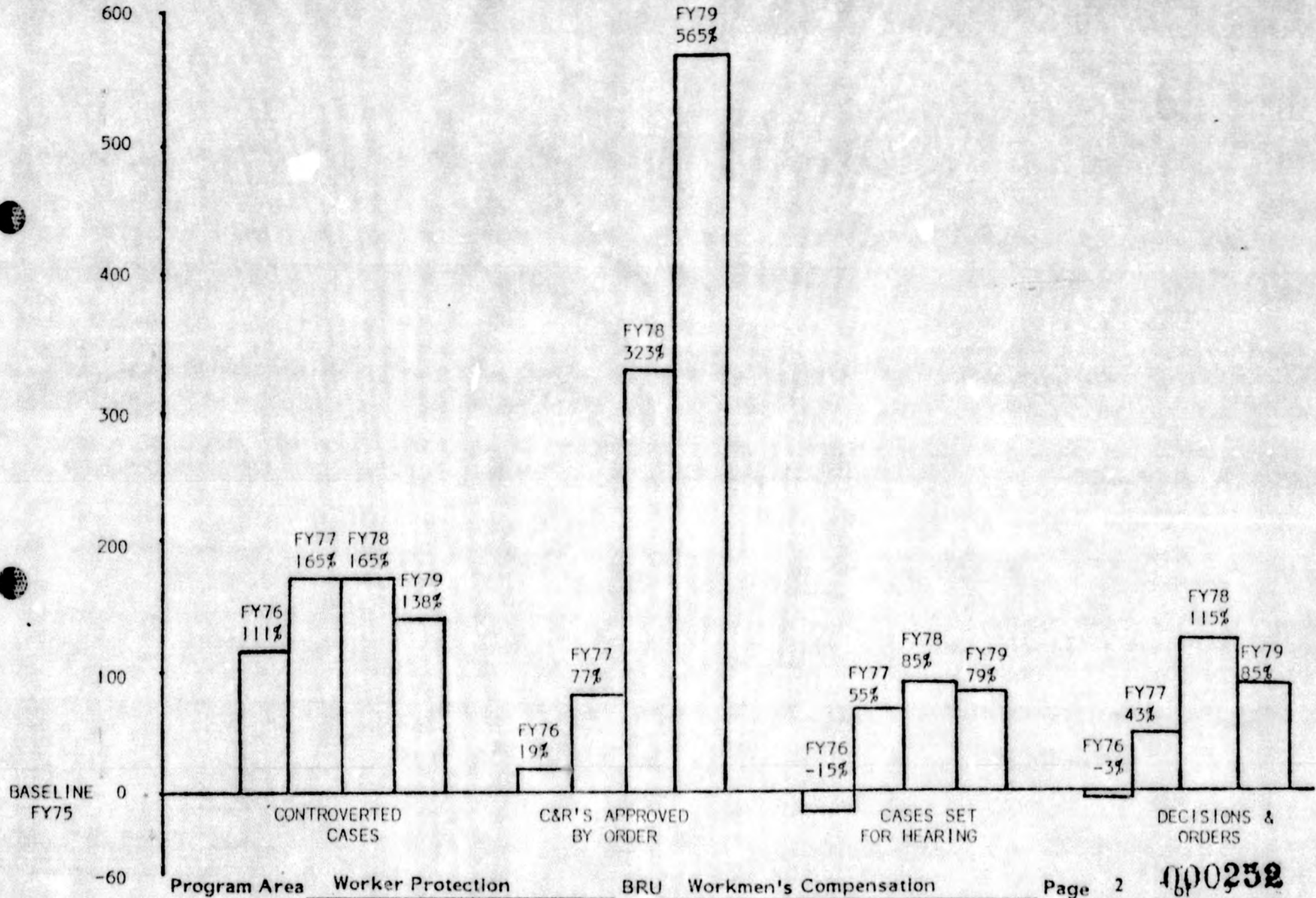
As of October of this year, Northwest Alaskan has provided over \$13 million in contracts to more than 50 Alaska-based consultants and contractors for preparatory work on the gasline project.

#### CONCLUSION

In closing, I would like to affirm that Northwest fully intends to continue to maximize employment and contracting opportunities for Alaskans. This approach is not a particularly new or innovative concept, it is a sound and cost effective business practice.

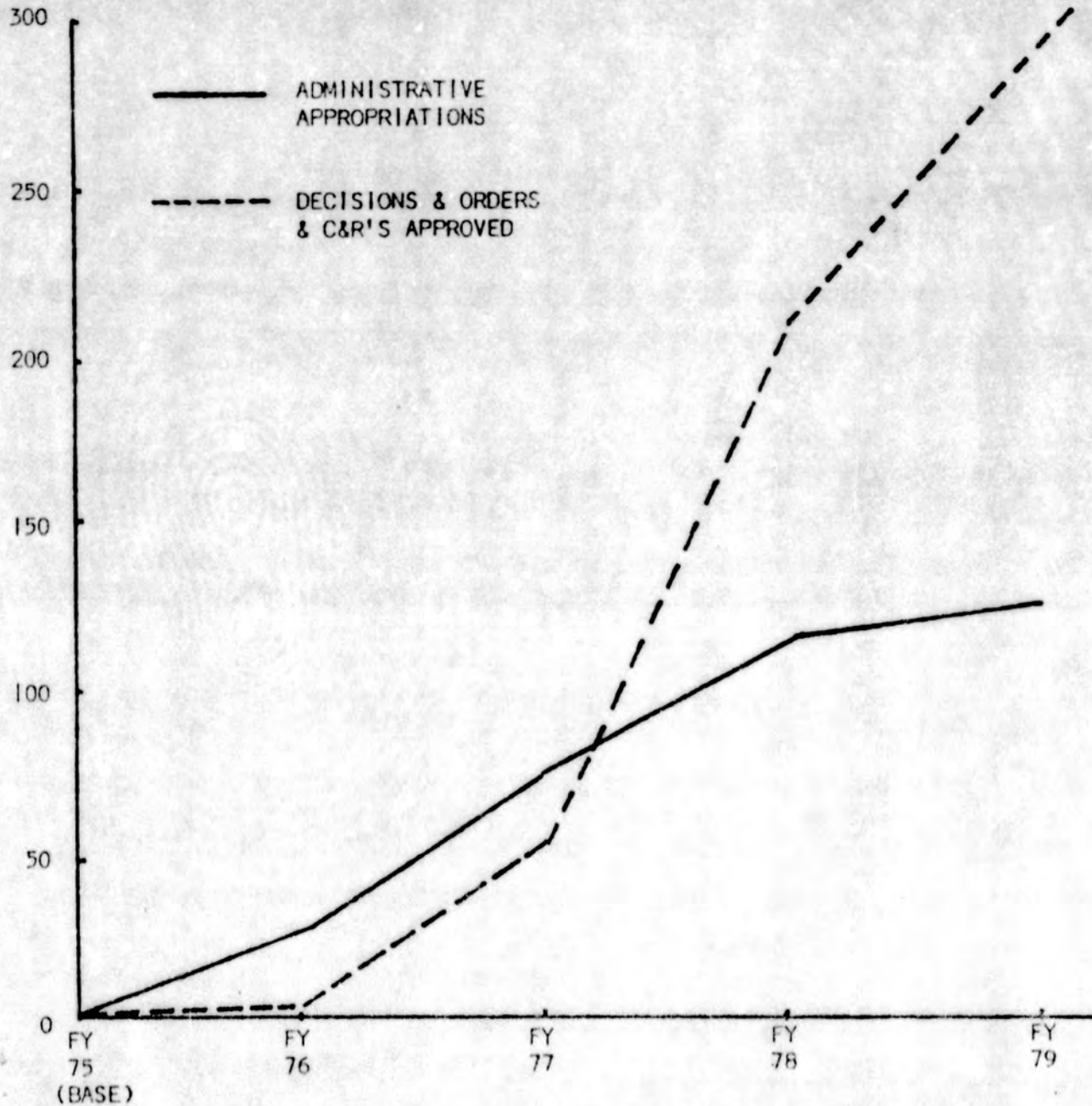
PERCENT (%)

PERCENTAGE INCREASE IN W/  
BOARD HEARINGS-FY75 BASE PERIOD



PERCENTAGE INCREASE IN W/C BOARD  
HEARINGS & ADMINISTRATIVE APPROPRIATIONS  
(FY 75 BASE PERIOD)

PERCENT  
(%)





# Alaska State Legislature

## House of Representatives

House Labor & Management Committee

Vern Hurlbert, Chair

Subcommittee on Workers' Compensation

Brian Rogers, Chair

2 P.M. February 13

Court Room A

Pouch V  
State Capitol  
Juneau, Alaska 99811

Official Business

Ad Hoc panels -  
Review the Complaints

Legislative Consultant  
Quick Look: DELIVERY OF SERVICES  
PREMIUM RATES

Richard A. Fineberg

Department of Labor

Judy Dubois, Special Assistant  
Jackie McClintock, Director, Workers' Comp. Division  
Jim Souby, Director of Administrative Services

Division of Insurance

John George, Deputy Director  
Don Koch, Market Surveillance Chief

Claimant Attorneys

Lance Parrish, Esq.

ALPAK  
Industrial  
+ 6 others

DIV. INSURANCE // FORWARD COMPLAINTS TO WC 3/WK  
OVIA - 30 claimants  
DIV Ins hearings / AVC - 12 claimants  
FBI: 6/7 OVIA + 4 direct + 5 phone  
Employers / WC  
Manager of FBI WC office  
several disagreements: Refer complaints to WC division  
System problems  
Never enforced time / never aware. Never have revoked forms will  
utilize another tactic - Late July will  
examine 6-7 insurance cos - AVC, SEA, PR  
Proper applic premium, forms, classification, claims (closed) / controverted, (or Renewal)  
We take a back seat to Comp.

750-1000 WC claimants  
System works well in vast majority of cases. WC DIV good  
Causes - pipeline lack of funding, direction from Admin.  
Needs a little Additional Testimony  
impacts: II New hearing officers / Enforcement of law  
need input of legal community  
open gate for less.

Legislative Digest => \$30,000 + CAP  
Prompting / Notification =>

### 4 OPERATIONAL AREAS

- 1 IMMEDIATE SUPPORT / INCREASED FUNDING FOR WORKERS COMP
- 2 SUPPORT LONG-TERM REQUESTS
- 2 RECOMMEND AD HOC PANEL -> CLAIMANTS CAUGHT IN WAKE OF PIPELINE BACKLOG. DETAILED REVIEW  
a/ legal + b/ medic liaison
- 3 BOOKLET FOR WORKERS -> EXPLAIN RIGHTS / PROBLEMS  
(Adol 149) (Div las pol => lead WC DIV)
- 4 LONG-RANGE STUDY -> BOARD SYSTEM (investigators, board structure, etc)  
-> INDUSTRY STRUCTURE  
-> RATE STRUCTURE (particularly investment income)

workers' comp - one

la rocca

] by JOE La ROCCA [

It may seem far-fetched to link the arrest and imprisonment of a man in California for ~~the~~ stealing and slaughtering a cow, with the alleged failure of the ~~Alaska~~ state Workmen's Compensation Division to carry out its statutory ~~and~~ responsibilities.

But a report just issued by the Legislative Affairs Agency on Workers' compensation problems in Alaska ~~indicates~~ says ~~that~~ <sup>that's one</sup> of the more ~~bizarre~~ bizzare consequences of the division's ~~and~~ persistent failure to follow the law <sup>in dealing with</sup> ~~and~~ hundreds of workers' claims ~~stemming~~ from job-related injuries in Alaska.

In that case, a man working in Nome for a gold-mining company injured his back, and had to go to California to seek <sup>proper</sup> medical treatment. Although the Alaska Workers' Comp board ruled in favor of the man's claim for payments, ~~his~~ his employer's insurance carrier <sup>arbitrarily</sup> suspended payments without notifying the board, as required by law. Destitute, and with a family of four to support, the man stole and slaughtered a cow ~~for~~ to feed his family, but was apprehended, convicted and imprisoned. The report ~~is~~ says that if the Workers' Comp Div. <sup>enforced,</sup> routinely ~~implemented~~ rather than ignored <sup>state</sup> the law requiring insurance ~~carriers~~ carriers to notify the board when <sup>they</sup> ~~it~~ suspends payments to claimants, the man would not ~~likely~~ likely have ~~been~~ found himself in the position of having to steal to feed his family.

The incident dramatizes what the author of the ~~the~~ report, Richard Fineberg, says is ~~the~~ the long-standing ~~and~~ failure of the ~~state~~ ~~of~~ ~~Alaska~~ ~~state's~~ ~~various~~ governor, the Dept. of Labor and the legislature to address pervasive deficiencies in the ~~the~~ state's workers' comp program.

-more-

workers' comp = two

Other major problem areas, he says, ~~are~~ ~~the~~ ~~department's~~ "chaotic and cumbersome" records system; ~~underfunding~~ underfunding and ~~under staffing~~ under staffing; tardy or non-payment of ~~legitimate~~ legitimate claims; ambiguous, conflicting and fragmented ~~workers'~~ workers' comp law; lack of coordination among the agencies which handle the program; and a ~~backlog~~ <sup>huge</sup> backlog of disputed claims ~~which~~ which the workers' comp division says has reached <sup>the</sup> "crisis" ~~stage~~ stage. <sup>the past decade,</sup> <sup>during</sup>

Despite a huge increase in the dollar value of the comp program from \$8 million in 1968, to more than \$100 million in 1979, with a corresponding increase in claims, Fineberg <sup>says</sup> ~~reports~~, the "administrative structure with which the state oversees the workers' comp program has remained essentially unchanged since statehood."

During that <sup>some</sup> decade, workers' comp insurance rose from ten percent of <sup>total</sup> the insurance business in Alaska, to 24 percent. In just the past four years, the hearing <sup>caseload</sup> caseload for disputed claims facing the ~~state's~~ workers' comp board a citizen panel which decides whether <sup>an injured</sup> a worker is eligible for payments ~~has~~ more than doubled, from 615 cases in 1975, to nearly 1,500 in 1979. The program's budget, on the other hand, has fallen ~~well behind~~ far behind the workload increase, which <sup>rose</sup> ~~has~~ dramatically ~~increased~~ following the construction of the trans Alaska oil pipeline.

According to <sup>the report</sup> ~~the report~~, ~~Finberg~~ ~~said~~ that State Labor Commissioner Ed Orbeck, in a public meeting last Oct., blamed the ~~problems~~ workers' comp program's problems on lack of attention and funding by the legislature. ~~But~~ ~~Finberg~~ ~~says~~ that while there's "a kernel of truth" to Orbeck's ~~own~~ statement, ~~Finberg~~ ~~says~~, "it's difficult to demonstrate ~~that~~ that legislative cuts in the administration's budgets ~~are~~ ~~the~~ ~~primary~~ ~~cause~~ ~~of~~ ~~today's~~ ~~problems~~ are the primary cause of today's problems. "On the contrary," he says, "a major cause...may be that the Dept. of Labor failed to anticipate or take timely measures to cope with the situation as it ~~developed~~ developed."

more

workers' comp - three

In an effort to remedy the worker's comp program's pervasive deficiencies, <sup>the report</sup> ~~Finberg~~ ~~Finberg~~ says, the division has asked for new positions and additional funding to modernize and ~~comp~~ computerize its "antiquated" record-keeping system. While that proposal is commendable and long overdue, <sup>it</sup> ~~it~~ adds, other important measures are also necessary.

Delays at two critical stages of the process <sup>(which occur in violation of law)</sup> account for many of the complaints about unsatisfactory handling of claims for payments. State law requires the insurance carriers to make the first payment ~~within 14 days~~ to claimants within 14 days of notification, ~~with a 20% penalty payment for non-compliance.~~ <sup>figures</sup> Figures show that ~~even~~ during 1978, only 28 percent of the first payments were made within the 14-day period required by law. Similarly, the <sup>i</sup> division is <sup>(by law)</sup> required to issue decisions in disputed cases within 20 days after a hearing. But the average time lapse, according to <sup>(the report)</sup> ~~Finberg~~, is currently more than three months.

In order to upgrade ~~enforcement~~ <sup>utilizing</sup> enforcement of the deadlines, <sup>the report</sup> ~~Finberg~~ says, the state should consider ~~creating~~ <sup>creative</sup> a fulltime professional board, ~~rather~~ rather than <sup>the</sup> parttime citizen board which ~~meets~~ <sup>determine whether</sup> meets ~~once~~ once monthly, and hiring professional investigators to ~~ensure that~~ <sup>determine whether</sup> insurance carriers are making timely payments to claimants.

<sup>the report</sup> ~~It~~ also suggests that ~~a complete overhaul of workers' comp law is needed,~~ and ~~that~~ the division should prepare and issue an explanatory booklet clarifying for lay persons how the program works, as in done in other states with more successful ~~program~~ programs. Much time-consuming <sup>and</sup> expensive litigation ~~could~~ be avoided stemming from <sup>s/</sup> ~~a~~ misunderstanding <sup>(could be avoided.)</sup> of ~~what~~ <sup>the report</sup> how the program works. ~~It~~ also calls for a complete overhaul of the law, ~~which has been fragmented by piecemeal~~ <sup>pervasive</sup> ~~changes~~ over the years, to eliminate ambiguities and conflicts, which make it internally inconsistent. It has been fragmented by piecemeal changes over the years.

more

workers' comp - four

According to the report,

~~The report says that while the insurance carriers~~ ~~one large firm carries~~  
~~56 percent of all comp insurance written in Alaska~~) a spokesman for one  
firm which carries 56 percent of all comp insurance written in Alaska ~~has~~  
~~has~~ stated that when there is any doubt, the company sides with the  
claimants. <sup>available/case</sup> But the ~~available/case~~ records <sup>(suggest)</sup> indicate otherwise, ~~and suggest~~  
that some claimants complain that ~~insurance~~ carriers have ~~withheld~~ fought  
litigated <sup>valid</sup> ~~legitimate~~ claims, and suspended or delayed payments, in order to put  
pressure them into settling their claims for small <sup>ER</sup> lump sums.

Another pattern which the division has ignored, the report says, concerns ~~the~~  
the use ~~of~~ by Alaska insurance carriers of certain San Francisco specialists to  
evaluate claimants with back injury complaints. One firm used often which  
has issued rulings ~~unfavorable~~ unfavorable to at least three ~~of~~ Alaska claimants,  
the reports says, "consistently provides insurance companies with te many  
damaging to plaintiffs seeking insurance payments."

Notwithstanding the firm's reputation, the report adds, the workers' comp  
board <sup>(the firm's)</sup> has relied heavily upon ~~the firm's~~ evaluations, without exercising  
its authority to appoint independent examiners.

<sup>(the state labor commissioner and the</sup> <sup>(in the Dept. of Commerce)</sup>  
The report also cites ~~the~~ state Division of Insurance <sup>themselves</sup> which regulates ~~that~~ the  
industry, for ~~its~~ failure to involve ~~itself~~ <sup>their</sup> in the workers' comp program, despite  
clear-cut statutory mandates assigning them jurisdiction.

The report raises a major question over how the insurance carrier <sup>5/</sup> use the  
premiums <sup>(Alaska)</sup> paid them by employers. Little information is available to  
answer this <sup>basic</sup> ~~basic~~ question. While the Div. of Insurance requires exhaustive  
~~reports~~ annual reports from all carriers in Alaska, they do not provide ~~of~~  
these data because the ~~all~~ figures from Alaska "are ~~lumped~~ lumped together  
with those of other states in which the carrier operates."

more

~~The net effect of that practice is to~~

In Alaska, comp insurance carriers collect more than \$100 million annually in premiums. Under the rate-setting ~~pro-proced~~ procedures used in Alaska, the report says, nearly all of the investment income from those premiums is excluded from the rate base. Thus a "loss" can be shown to justify higher premium rates, as occurred in 1974, when the "loss" data ~~enabled carriers~~ "enabled carriers to push comp premium rates higher..." Says the report, "This hidden profit factor is often overlooked by <sup>o</sup>some policymakers" who hold that increased ~~benefits~~ for workers is the primary cause of higher premium rates.

The report ends with a series of recommendations for immediate and long term consideration <sup>by</sup> the legislature and the executive ~~branch~~ branch. These include hearings to measure the ~~state's~~ state's ~~failure~~ failure to enforce workers' comp laws, a special review of comp cases to determine whether the comp board is upholding the intent of law, regular reports to the legislature which show whether remedial action is needed, closer interagency cooperation, ~~more information~~ more information about how the ~~carriers~~ carriers use the ~~premium~~ premium dollars paid them by employers, ways of reducing premiums for small employers, and studies to ~~see~~ determine whether a state fund to ~~write~~ write workers' comp insurance would ~~improve~~ improve the program.

11/2 (LTD)

Hurlbert - Steelmonte  
Miller - just returned  
Hayes - family emergency  
Bettisworth - out of town  
Branson - ?  
McKinnon - Utah  
Rogers - here

→ Purpose of meeting

Sue Fison - project employment projections  
NW planning

complete for 84-85 heating system  
- cond plant  
- pressure work  
- mid 80 financing  
- timely permitting

1980 - prep FERC filing 6/80. Increase  
in Ak. (exact in Dec).

1980 - project labor agreement betw/  
Contractors Assn + Labor Unions

1<sup>st</sup> Q 81 - FERC cert

Spring 82 - civil employment

83 - spreads → peak

11/84 - flow

less employment than Alyeska  
137 mi access 400 mi Haul Rd

US 18 mil cu yds borrow (93)  
renovate camps - relocate 3 DJ-Border  
Conventional construction

July - prelim est peak manpowers.

In 1<sup>st</sup> year - ~~20~~ 2180 OP Team Weld Labor  
1983 7000 2,000  
1984 6500

These only include direct

admin mgmt  
culinary inspectors

In Alyeska - 1 1/2 x indirect for each  
direct.

Peak direct/indirect higher.

Also secondary employment.

Now - All construction industry has  
pipeline experience.

Moalin expects unit price, etc.

Union records not detailed enough for 2 fo.

Teamster/Laborer filled in Alaska.

Do not have overview of which job  
classifications:

side boom oper

specialty eqpt oper

→ welders

some mechanics

electricians, pipefitters - depend on other projects

WV contracting (Fluor). Detailed estimate avail mid-1980. (ECO, MBE, etc).  
Confident projections are good.

Q: Management positions

Q: Resident Hire

Q: Local Contracting. → sent out questionnaires, vendor service forms.

\$13m in contract work in Alaska consulting.

Ken Showalter / Sohio

Hammond / Ardus - Beaufort Sale. Econ impact.  
Employment effects - extensive studies by  
econometric analysis DEIS (attached).

# of steps:

- ① Seasonal drilling requirements - could take 3 yrs to drill a well.
- ② 2 year research period
- ③ Seismic restrictions
- ④ Full EIS before development
- ⑤ CZM ordinances - 110 to 210 days for permits.

Waterflood project may be tripped by CZM.  
Geophysical hazard, Conservation, Deferred Dev't.  
Need federal Corps of Eng'rs permits - delayed by local gov't if locals slow it down.

Lots known about Beaufort → good chances.

AK Investment Climate.

(windfall profits).

Still possible production from Beaufort.

Key assumption - field sizes (USGS estimates).  
- largest 1/4 Bbbls.

Depends on engineering technology.  
Available gravel?

Max direct	-	1322	in 1989	} DIRECT
<u>Inter</u>		1082	in 1988	
Even in minimum		740		

7000 additional jobs from Beaufort

Planned activity in Prudhoe Bay  
- use #s from hearings in Juneau.

Unit 4 owners have spent \$4 B

3 gathering centers, 200 wells, gas injection plant

\$10 B yet to come.

① - 300 more wells \$2 - \$3 B  
pad construction.

CREWS IN PLACE

will go to 160 ac spacing

② low pressure gathering \$1 1/2 - 2 B  
- 5% - 1st step 1982 flow sta 2

③ artificial lift system \$1 1/2 - 2 B  
- 5%

④ 2% - Produced water injection \$1 B  
eqpt ordered - 1st increment 1981 start up

⑤ Source water injection \$1 1/2 - \$2 B  
evaluating / designing ~ 7%  
\$70 - \$80m so far

will be additional gas wells + distribution facilities.

Beaufort strips, Baro czm

Skills needed - some specialized design  
— typical construction skills  
don't have enough facts available.

Kerai LNG. Alpetco.

Gas wells might require more drilling rigs.  
30 days - dev't well in Prudhoe

To extent we can - Ak residents, contractors.  
If skills here, utilize them.

No guess as to residency.

String of Ak companies.

If skills are available, we'll hire them.

Nothing in contracts.

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Plumbers +

Met w/ Sohio - 192 modules arriving next  
2 yrs. 185 following 2.  
millions of feet of pipe - beginning  
1981. - 1987 (Sohio).

Started on modules down south.  
Problem w/ welders. Training certain  
amount of people. New training center.

Suggest - look at facil.

CETA \$ involved. Other states do  
contract w/ Trust. Starting next Aug.

One of best facil. -

6-8 months. full-time.

Provide info.

Sohio - All Union.

All gathering/distrib - local 375

100 - 150 people.

Teamsters 959 Jack Wayne -

Available work force. Most out of work.  
Broad scope of skills -

Firemen 3-5 yrs exper

Communc Aircraft + tower - state

Tech 1yr sch / OST

Weather 2 yrs school

Tire man 2-3 yrs

Warehouse - genl knowledge

Parts - 2-3 yrs work

HP Truck - ..

Rig up/tear down - oil Rigs

Surveyors

Ready-made work force. Need upgrades  
in training - state \$.

Upgrade/retrain.