

***State of New York
Office of the State Comptroller
Division of Management Audit
and State Financial Services***

WORKERS' COMPENSATION BOARD

**STAFF STUDY ON
PERFORMANCE MEASUREMENT
FOR THE WORKERS'
COMPENSATION REFORM OF 1996**

REPORT 97-D-15



H. Carl McCall
Comptroller



State of New York Office of the State Comptroller

Division of Management Audit and State Financial Services

Report 97-D-15

Mr. Robert R. Snashall
Chairman
Workers' Compensation Board
100 Broadway
Albany, NY 12241

Dear Mr. Snashall:

This report contains information on the elements of a performance measurement system which the Board can use to determine the impact of the Workers' Compensation Reform of 1996. The information contained in the report is preliminary in nature and we encourage the Board to continue to develop and refine this performance measurement system, to consider the data elements performance measurement requires in designing the new information system, and to collect and report performance results.

This study was done pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

April 28, 1998

Executive Summary

Workers' Compensation Board Staff Study On Performance Measurement For The Workers' Compensation Reform Of 1996

Background

The Workers' Compensation Law (Law) requires all employers in New York State to obtain workers' compensation insurance to reimburse injured workers for lost wages and associated medical expenses. Employers may buy workers' compensation coverage from private insurance carriers or the State Insurance Fund, or may provide the coverage through self-insurance. The Workers' Compensation Board (Board) is responsible for ensuring that all employers comply with the Law. According to the Board's records, private carriers and the State Insurance Fund paid nearly \$2.5 billion in workers' compensation claims in 1996.

In 1995, employers in New York paid workers' compensation premiums totaling \$3.7 billion, or 108 percent more than they paid in 1986. Such cost increases are generally passed on to consumers in the form of higher prices. The Legislature passed the Workers' Compensation Reform of 1996 (Reform), both to confirm a commitment to the goals of the Law, and to revise the workers' compensation system to make it more efficient, more effective, and less costly. These changes included creating the Workers' Compensation Fraud Inspector General's Office, decreasing assessments carriers pay to support the Special Disability Fund, creating Preferred Provider Organizations to contain costs, and expanding the conciliation process to help resolve benefit issues in a timely manner.

Objectives of Study

The objectives of our study, which included the period April 1, 1996 through June 30, 1997, were to help the Board define measurable goals and objectives related to the Reform, and to develop performance indicators that can be used to monitor and measure the extent to which the Reform is making the workers' compensation system more efficient, more effective, and less costly. The State Insurance Department, the State Insurance Fund, and the Department of Labor all play roles in the workers' compensation system. We focused on performance measurement for the Reform provisions the Board is directly responsible for implementing.

Study Observations and Conclusions

We worked with the Board to define the Reform's measurable goals and objectives and to identify performance indicators, or values for outputs or outcomes that help quantify progress toward these goals and objectives. We encourage the Board to continue to develop and refine this performance measurement system, to consider the data elements

performance measurement requires in designing the new information system, and to collect and report performance results.

Government accountability requires informing citizens and their elected officials about measurable results: that is, how much an agency has spent, what the spending was for, and how effectively and efficiently those funds were used. Agency management also needs to know about performance results to assess its effectiveness in providing services. To be able to reliably determine and report about the extent to which the Reform is making the workers' compensation system more efficient, the Board needs a performance measurement system.

Board officials recognize the importance of performance measurement. However, they told us they had not established a system to gauge the Reform's impact because the Reform had been enacted only recently. To help the Board begin to measure this impact, we first analyzed the Reform, obtaining input from Board officials, the Legislature and other interested parties. We then worked with the Board to establish the essential elements of a performance measurement system -- measurable goals and objectives, and performance indicators. We developed over 100 performance indicators, listed in Exhibit A of this study, that relate to 23 Sections of the Reform. The Board agreed that these performance indicators were appropriate. We applied Board data to nine of these indicators on three topics: the prevention and detection of fraud, participation in managed care, and the Special Disability Fund. However, since we did not audit the Board's data collection methods or the data itself, we show the results achieved for these nine indicators for illustrative purposes only.

More work needs to be done by the Board to define measurable goals that clearly express the Reform's intent in quantitative terms, and to refine and expand the performance indicators. The Board must also be able to accumulate reliable data to apply to the indicators. We found that the Board's current information system has neither the transaction processing capability nor the information resources to measure and report performance. The Board hired a consultant to develop a new system, scheduled to be in operation by the year 2000. The new system will capture case and outcome data that is now collected manually, if at all. By establishing performance indicators now, the Board can include the data elements needed for performance measurement in its new information system, and ensure it has the capability to determine the Reform's impact on the workers' compensation system.

Comments of Board Officials

Board officials stated they will continue to develop, refine, and implement performance measurements consistent with those identified in this report.

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Appendix A	Major Contributors to This Report	
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Introduction

Background

Workers' compensation insurance reimburses injured workers for lost wages and associated medical expenses. New York State's Workers' Compensation Law (Law) requires employers to have insurance coverage for the cost of these wages and medical expenses. The Workers' Compensation Board (Board) is responsible for ensuring that all employers in New York State have this insurance coverage or are self-insured. The Board is also responsible for monitoring payments to injured employees and for adjudicating disputed claims.

Employers in New York may obtain workers' compensation coverage through private insurance carriers or the State Insurance Fund, or may provide this coverage through self-insurance. The State Insurance Fund is a nonprofit State agency that underwrites workers' compensation and disability benefits insurance coverage. Many private carriers will not underwrite coverage for companies in hazardous industries or businesses. The State Insurance Fund is the insurer of last resort for such high-risk employers, and a competitive insurer for other segments in the market. According to the Board's records, private carriers and the State Insurance Fund paid nearly \$2.5 billion in workers' compensation insurance claims, including medical and indemnity claims, in 1996.

During the late 1980s and early 1990s, workers' compensation costs increased dramatically in many states. According to the Business Council of New York, New York's workers' compensation premiums, which totaled almost \$3.7 billion in 1995, had increased by about 108 percent since 1986. Organizations that promote workers' rights claim that the higher costs had not created a corresponding increase in the level of service to injured workers. The cost of these premiums is generally passed on to consumers in the form of higher prices. Some employers have also indicated that higher workers' compensation insurance premiums make New York a less attractive place for business.

The Legislature enacted the Workers' Compensation Reform of 1996 (Reform) to affirm a commitment to the goals of the original Law, passed in 1914: a safe workplace, necessary medical care benefits and compensation for workplace injuries, and a degree of economic protection from devastating lawsuits for employers. However, the Reform also addressed the issues of cost containment and efficiency by stating the need for a workers' compensation system "which protects injured workers and delivers wage replacement benefits in a fair, equitable and efficient manner, while reducing time-consuming bureaucratic delays . . ." The Reform includes provisions that are intended to change the workers'

compensation system to make it more efficient, more effective, and less costly. These changes include the following actions: the development and expansion of fraud detection systems, including the creation of a Workers' Compensation Fraud Inspector General's Office; changes in funding and reimbursement aspects of the Special Disability Fund; expansion of participation in the managed care program; the creation of Preferred Provider Organizations (PPOs) to help contain costs; and the expansion of the conciliation process to resolve benefit issues in a timely manner.

Study Scope, Objectives and Methodology

This study contains information on the elements of a performance measurement system that can be used to determine the impact of the Reform on those aspects of the workers' compensation system for which the Board is responsible. The information contained in this report was developed with the assistance of Board officials and is not intended to represent a final model for the Board. It should be considered a preliminary model subject to the Board's review and modification. The objectives of this study were to assist the Board in defining measurable goals and objectives related to the Reform, and in developing performance indicators that can be used to monitor and measure the extent to which the Reform is making the workers' compensation system more effective and less costly. The work on this project occurred during the period January 1, 1997 through June 30, 1997 and used information from the period April 1, 1996 through June 30, 1997.

To accomplish these objectives, we analyzed the Reform to identify what change each Reform provision was expected to have on the workers' compensation system. We confirmed our understanding of these expectations with officials from both the Board and the State Legislature. Although the Board, the State Insurance Department, the State Insurance Fund, and the Department of Labor all play roles in the workers' compensation system, we focused our efforts on performance measurement for those provisions of the Reform the Board is directly responsible for implementing. In developing performance measurement features, we obtained input from the State Legislature, the AFL-CIO and other interested parties. We also attended a two-day conference given by the Workers' Compensation Research Institute (WCRI), an independent, not-for-profit research organization. The focus of this conference was on identifying best practices and improving system performance.

Working with Board officials, we identified currently available data that could be applied to the performance indicators we developed to establish a base line for future measurement. We applied Board data to nine of these performance indicators. Since we did not audit the Board's current data collection systems or the data they produced, the indicator results shown in this study are for illustrative purposes only.

We also met with Board employees to determine what data will be available when the Board's planned new information system is in operation. Further, we reviewed the Business Process Improvement Study developed by an outside consultant. This study, released by the Board in June 1997, determined what capabilities the new system will need and provided some general business performance measurement information based on the consultant's review of the Board's system and processes.

Response of Board Officials to Study

A draft copy of this study was provided to Board officials for their review and comment. Their comments have been considered in preparing this report, and are included as Appendix B.

Within 90 days after final release of this study, we request the Board to report to the Governor, the State Comptroller, and the leaders of the Legislative and fiscal committees, advising what actions were taken by the Board in response to the observations made and issues raised in the study.



Performance Measurement and Reporting

Government agencies are accountable for the effective, efficient, and economical use of publicly-funded resources provided to accomplish their missions. Government accountability should enable citizens to identify not only how much an agency has spent and what the agency spent the funds on, but also what the citizens received for the use of taxpayer funds and how effectively and efficiently those funds were used. To achieve this accountability, agency management should determine and report measurable results of performance to the public and their elected officials. The same kind of information is also needed by agency management to allocate resources to services and to assess the effectiveness of those services. Therefore, performance measurement and reporting makes both management and the public aware of the agency's actual performance, as well as needed improvements.

Essential elements of a performance measurement system are goals and objectives that are pertinent to an agency's mission and are measurable. Also essential is the establishment of performance indicators. A performance indicator is a particular value or characteristic that measures outputs or outcomes which are indicative of progress toward a program's goals and objectives. Agency management should build a performance measurement system on a comprehensive set of measurable goals, objectives, and performance indicators.

When we first started this study, the Board had not developed a performance measurement system to gauge the Reform's effectiveness in improving the service delivery and efficiency of those aspects of the workers' compensation system for which the Board is responsible. The Board had not defined measurable goals and objectives pertinent to the Reform, developed performance indicators to quantify achievement, or established a system to capture the data such performance indicators require. Board officials told us they had not yet developed a performance measurement system, or its components, because the Reform was only three months old; in fact, some Reform provisions were not slated to begin until after our study began.

However, since Board officials recognize the benefits of a performance measurement system as a management tool, they worked cooperatively with us to develop measurable goals and objectives and appropriate performance indicators, and they provided existing data to apply to some of these indicators. We believe the performance indicators that were

developed could be effective for providing Board officials, elected officials, and the public with information needed to evaluate the impact of the Reform. These indicators, and the sections of the Reform to which they pertain, are listed in Exhibit A.

More work needs to be done by the Board to define measurable goals and objectives, to enhance performance indicators, and to accumulate reliable data. For example, we found that some of the Reform's goals are not readily measurable. Section 1 of the Reform defines some general goals of the workers' compensation system, including "the need to deliver wage replacement benefits in a fair, equitable and efficient manner, while reducing time-consuming bureaucratic delays." Another goal is to "ensure that workers obtain necessary medical care, wage replacement benefits and compensation for work-related injuries." These goals involve characteristics for which achievement is difficult to measure. We did conclude that various sections of the Reform relate to the first of these two goals (see Exhibit A, pp. A-10 to A-14). However, we could not measure achievement of this goal, and recognize it would be difficult to do so. We believe the Board should continue efforts to develop measurable goals and objectives that clearly express the Reform's intent in quantitative terms.

We also found that the Board does not yet have the means to capture appropriate historical data to use in measuring the effects of the Reform. The Board's current information system is extremely limited; it has neither the transaction processing capabilities nor the information resources required to measure and report performance. The Board currently relies on manually developed reports produced through a labor-intensive process. The resulting data is not complete or timely enough for management to use in making policy decisions. Prior to the Reform, the Board placed a priority on developing a system to measure productivity. The Board hired an outside consultant to assist the Board's System Modernization Division in developing a computerized system to track the flow of workers' compensation information. The consultant also developed general performance measurement data for workers' compensation that could be tracked by this system when it is completed. The new system, scheduled to be in operation by the year 2000, will accumulate case data and outcome data from existing systems, and provide the Board with the ability to report on performance.

Once the new system is in place, the Board will be able to electronically capture data that is now collected mostly through manual processes, if at all. For this reason, and also because of the timing of the Reform's implementation as noted above, we believe now is the best time for Board officials to develop performance indicators that can be used to monitor and measure the extent to which the Reform is making the workers' compensation system more efficient. By developing the indicators now, Board officials will be able to include the data elements necessary for Reform-related performance measurement in the new system. The first set of data collected will be the baseline for future data collection.

Performance Indicators

We worked with Board officials during our study to develop performance indicators to quantify the input of the Reform provisions the Board is specifically responsible for. We developed over 100 performance indicators for 23 Sections of the Reform, as listed in Exhibit A. The Board agreed that these performance indicators were appropriate. Our methodology in developing these performance indicators included:

- establishing, to the extent possible, specific and measurable goals for the Reform;
- noting Sections in the Reform that pertained to the achievement of each goal;
- identifying strategies Board management could pursue to achieve the goals;
- outlining specific activities to carry out the strategies; and
- developing performance indicators that could serve as indices to measure the extent to which the Reform's goals are being achieved.

We applied nine of these performance indicators to available data. These nine indicators relate to the following topics: fraud (case referrals made to the new Workers' Compensation Fraud Inspector General, case dispositions, cases referred for prosecution); managed care (employee participation, employer participation, number of approved providers); and the Special Disability Fund (total medical and total compensation disbursements, total assessments, and total disbursements). We were unable to apply data to the remaining performance indicators because the Board's current system does not have the capacity to collect such data.

Because of the limitations of the Board's current data collection methods, and the fact that we did not audit these methods or the data they produced, we are showing these indicator results for illustrative purposes only, and not for the purpose of drawing conclusions about the Reform's impact on the workers' compensation system. The Board's continued application, refinement, and expansion of these and all the performance indicators listed in Exhibit A, and its establishment of measurable goals and objectives for all Reform provisions, should result in an effective performance measurement system. With the information from this system, the Board can draw conclusions about the Reform's impact, and determine if further changes are necessary.

Fraud

The insurance industry estimates that fraudulent claims account for 10 to 20 percent of all workers' compensation costs. In the past, however, New York and other states devoted little effort to trying to detect workers' compensation fraud. District attorneys would not often prosecute such cases, believing they should concentrate instead on crimes that were considered more serious. But with the steep increase in workers' compensation insurance premiums, New York and other states have taken steps to reduce workers' compensation costs which include anti-fraud measures. We reported on the anti-fraud efforts of New York and 32 other states in our recently released study, "Comparison of Workers' Compensation Fraud Detection and Prosecution Systems in New York and Other States" (Report 96-D-21, issued June 26, 1997).

Section 13 of the Reform established the Workers' Compensation Fraud Inspector General's (WCFIG) Office as part of an effort to deter, detect, prevent, investigate, and prosecute workers' compensation fraud. The WCFIG's Office opened on November 15, 1996 and began to accumulate statistics in January 1997. These statistics served as baseline data for the fraud-related performance indicators we developed. The performance indicators we show in the table below pertain to the number of case referrals received from carriers, self-insured employers, anonymous callers, or others. The indicators also show the disposition of those cases: cases can be closed, referred to other agencies, such as the Attorney General or the State Insurance Department's Investigative Fraud Bureau, or referred for prosecution.

WCFIG's Office Actions to Detect and Prevent Fraud

1997	Cases Received	Cases Closed	Cases Referred to Other Agencies	Cases Referred to Prosecutors
January	113	0	0	1
February	87	2	1	6
March	190	38	75	5
April	112	11	9	3
May	179	3	14	14
June	182	4	6	1

By interpreting this kind of data, the Board could gauge how effective the Reform is in reducing costs attributable to workers' compensation fraud. The number of referrals from carriers and other sources would show the extent to which WCFIG services are used. The number of cases closed and the number of cases referred to other agencies shows the WCFIG's efficiency in handling possible cases of fraud. The number of cases referred to prosecutors shows the number of cases the WCFIG has identified as fraudulent after investigation.

Managed Care

The Managed Care Pilot Program was initiated in 1993 with the goal of providing coordinated care to injured workers while containing system costs. The Legislature enacted Sections 30 and 31 of the Reform to encourage growth in the managed care program, and presumably contain costs, by removing perceived barriers to participation. The Reform requires that Cornell University perform a study of the Managed Care Pilot program. The study results are due in the year 2000. We obtained some of the performance indicator data Cornell has collected to date, and we include this data in the following table. The indicators we show pertain to employee and employer participation in the managed care program, and the number providers approved for the program.

Growth in Managed Care Participation

Types of Participants	Prior to Reform (7/94 to 8/96)	Post Reform (9/96 to 5/97)
Number of Employees Participating	15,064	24,329
Number of Employers Participating	7	15
Number of Managed Care Providers Participating	12	12

Board officials and other interested parties can use this data to determine whether the Reform has promoted growth (more participation) in the managed care program as indicated by increases in the number of participating employees, employers, and approved providers.

Special Disability Fund

The purpose of the Special Disability Fund is to encourage the employment of persons with disabilities through a program that limits the liability an employer would assume when hiring a disabled person. Prior to the Reform, the insurance carrier or self-insured employer was responsible for payments to such employees during the first 104 weeks (two years) of disability. The Reform extended payments to the first 260 weeks (five years). Thereafter, the carrier or self-insured employer continues to make the payments but may seek reimbursement from the Special Disability Fund. The Special Disability Fund is supported by a portion of an administrative assessment fee paid annually by all insurance carriers and self-insured employers. The effect of the Reform is to lower the cost borne by affected carriers and self-insured employers by spreading the cost (after five years) among all carriers.

The Reform also acted to reduce the amount of the annual administrative assessment. In determining this assessment, the Board calculates the total disbursements made from the Special Disability Fund during the preceding calendar year, and multiplies this total disbursement figure by a certain percentage. The result represents the estimated amount needed to fund the Special Disability Fund in the upcoming year. The Board subtracts the money the Special Disability Fund has on hand, and bills carriers and self-insured employers for the remaining amount in the form of an annual assessment. Before the Reform, the total disbursement figure was multiplied by 175 percent. Since historic data showed that 175 percent was more than what was needed to fund the Special Disability Fund, the Reform lowered this to 150 percent. The object of reducing this multiplier is to help reduce the cost of workers' compensation by having

carriers pay assessments that are no higher than necessary to maintain the viability of the Special Disability Fund.

The indicators we show in the following table relate to total medical and total compensation payments made annually from the Special Disability Fund. The Board has already been collecting this information since 1987. We applied Board data to these indicators for years 1990 through 1996.

Special Disability Fund's Total Disbursement

Year	Medical Disbursement (millions \$)	Compensation Disbursement (millions \$)
1996	215.8	27.0
1995	161.0	34.0
1994	130.3	12.1
1993	95.3	12.2
1992	100.2	8.6
1991	79.8	5.0
1990	74.5	7.1

This data allows Board officials to monitor the trends and how Special Disability Fund monies are being spent.

**Total Disbursement
and Total
Assessments**

The total disbursement includes the total amount of medical, compensation, and other payments (such as, the costs of paying lawyers, investigators, and medical experts to ensure payments are made only to appropriate recipients) made out of the Special Disability Fund in the year indicated. The total assessment is the total amount all insurance carriers and self-insured employers paid into the Special Disability Fund in the same year to cover expected disbursements in the following year. As shown in table below, we applied Board data from 1990 through 1996 to these indicators.

Special Disability Fund's Total Disbursement v. Total Assessment

Year	Total Disbursement (millions \$)	Percent Change from Prior Year	Total Assessment (millions \$)	Percent Change from Prior Year
1996	243.8	24%	261.5	-10%
1995	197.0	37%	289.0	44%
1994	143.7	31%	201.2	89%
1993	109.7	0%	106.4	-29%
1992	109.6	29%	148.9	71%
1991	85.2	4%	87.0	-24%
1990	81.8	33%	114.2	56%

This data will allow Board officials to evaluate whether further changes in the assessment rate are necessary.

Issues for Consideration

To determine whether the Reform is effective in producing a more efficient, more effective, and less costly workers' compensation system, we suggest that the Board consider pursuing the following actions:

- Implement a performance measurement system to effectively monitor and measure the impact of the Reform;
- Continue to define measurable goals, to refine and expand the performance indicators presented in this study, and to use these essential elements of a performance measurement system;
- Capture appropriate data to use in measuring the effects of the Reform; and
- Consider the requirements of the performance indicators in this report when determining data needs for the new information system currently being developed.

WORKERS' COMPENSATION BOARD
PERFORMANCE MEASUREMENT FOR THE WORKERS' COMPENSATION
REFORM OF 1996
OBJECTIVES, STRATEGIES, ACTIVITIES, AND PERFORMANCE INDICATORS

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
GOAL: Ensure a safe workplace.			
<p>Section 10 Implement a voluntary safety incentive program.</p>	<p>Provide an incentive for those not covered by a mandatory safety and loss prevention program to initiate safety measures.</p> <p>Develop rules and regulations.</p>	<p>Create and monitor a voluntary safety incentive program.</p>	<p>Number of employers who received the safety credit.</p> <p>Average safety credit given as a percentage of annual premium.</p> <p>Dollar value of credits given.</p> <p>Number of certified specialists.</p>
GOAL: Reduce the cost of workers' compensation.			
<p>Section 13 Deter, detect, prevent, investigate, and prosecute workers' compensation fraud.</p>	<p>Establish the office of the Workers' Compensation Fraud Inspector General (WCFIG).</p>	<p>Investigate violations.</p> <p>Conduct and supervise investigations.</p>	<p>Number of investigations.</p> <p>Number of cases referred for prosecution.</p> <p>Number of cases prosecuted.</p> <p>Dollar value of the prosecuted cases.</p>

Exhibit A

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<u>Section 13</u> (contd.)		Educate, train, and perform outreach.	<p>Number of tips received on fraud hotline.</p> <p>Number of complaints received.</p> <p>Number of tips that result in prosecution.</p> <p>Number of media, newspaper reports of prosecutions.</p> <p>Number of internal education and information sessions held.</p> <p>Number of external education and information sessions held.</p> <p>Number of Board employees educated.</p> <p>Number of people outside of the Board educated.</p>
		Recommend legislative and regulatory changes.	<p>Number of changes recommended.</p> <p>Number of changes implemented.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>Section 15 Deter, detect, prevent, investigate, and prosecute workers' compensation fraud.</p>	<p>Establish fraud as a felony.</p>	<p>Prosecute fraud as a felony.</p> <p>Develop procedures.</p>	<p>Number of referrals by type of perpetrator (carrier, claimant, employer).</p> <p>Number referred as a felony.</p> <p>Number prosecuted as a felony.</p> <p>Dollar amount of restitution.</p>
<p>Section 18 To protect employers from adverse ratings as a result of fraudulent claims.</p>	<p>Prohibit carriers from adversely adjusting an employer's experience rating as a result of fraudulent claims.</p>	<p>WCFIG accepts inquiries and investigates complaints.</p>	<p>Number of cases handled (inquiries).</p> <p>Number of cases resulting in a readjustment in rating. Data will come from CIRB.</p>
		<p>Develop procedures to train staff in handling adverse rating complaints.</p>	<p>Number of training sessions given.</p> <p>Number of people receiving training.</p>
<p>Section 19 Deter, detect, prevent, investigate, and prosecute workers' compensation fraud.</p>	<p>Grant immunity from civil liability to people who furnish information in the absence of fraud or bad faith to the WCFIG.</p>	<p>Accept complaints of fraud.</p>	<p>Number of complaints.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>Section 21 Deter, detect, prevent, investigate, and prosecute workers' compensation fraud.</p>	<p>Class D felony for the commission of insurance fraud within five years of any other offense involving insurance fraud.</p>	<p>WCFIG should network with the Attorney General and Superintendent of Insurance to develop a system to track multiple insurance fraud offenders.</p>	<p>Number of class D felony prosecutions. Number of class D felony referrals.</p>
<p>Section 25 Deter, detect, prevent, investigate, and prosecute workers' compensation fraud.</p>	<p>Each claimant/provider must certify that they are entitled to payment when signing their workers' compensation check with the restrictive endorsement statement printed on it. The cashing of the check now creates a criminal liability for those persons who do not deserve the check but cash it anyway.</p>	<p>Board should develop such a statement and instruct carriers and employers to have it printed on the back of each check.</p>	<p>Percentage of checks not cashed. Dollar amount of checks not cashed.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>Section 39 Decrease reserve requirements for the Special Disability Fund.</p> <p>Raise the threshold at which employers and carriers may claim reimbursement from the Special Disability Fund.</p>	<p>Have carriers pay assessments that are no higher than necessary to maintain the Special Disability Fund's viability.</p> <p>Encourage employers to hire disabled persons, while reducing the costs affected carriers/self-insured employers pay by spreading costs (after five years) among all carriers.</p>	<p>Decrease assessment requirements in the Special Disability Fund from 175 to 150 percent.</p> <p>Raise the threshold at which employers and carriers may claim reimbursement from the Special Disability Fund from 104 weeks to 260 weeks.</p>	<p>Yearly assessment requirements as a percentage.</p> <p>Medical payments versus compensation and other payments.</p> <p>Number of weeks a claimant is on special disability.</p> <p>Dollar amount paid out of the Special Disability Fund annually.</p> <p>Number of claimants paid out of (reimbursed from) the Special Disability Fund annually.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
GOAL: Ensure uniform compliance with the Law.			
<p>Section 16 Deter, detect, prevent, investigate, and prosecute workers' compensation fraud.</p>	<p>Establish civil penalties for false statements.</p>	<p>Develop a bulletin providing guidance for penalty amounts.</p>	<p>Dollar value of penalties assessed.</p> <p>Number of penalties assessed.</p> <p>Dollar value of penalties collected.</p> <p>Number of penalties collected.</p> <p>Percent of collections against assessments.</p> <p>Number of penalties appealed.</p> <p>Number of penalties appealed successfully.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
GOAL: Provide coordinated care to injured workers while containing systems costs.			
<p>Section 30 Encourage growth in the managed care program by removing perceived barriers.</p>	<p>Increase use of managed care.</p> <p>Enable employers to participate who would otherwise have been precluded from participation.</p>	<p>Enroll employers and employees.</p> <p>Approve employers in areas with only one provider.</p> <p>Eliminate payment of \$15 safety incentive fee.</p> <p>Communicate elimination of perceived barriers.</p>	<p>Number of employees participating.</p> <p>Percent of employees participating.</p> <p>Number of employers participating.</p> <p>Percent of employers participating.</p> <p>Number of employers with only one managed care provider.</p> <p>Number of managed care providers.</p>
<p>Section 31 Encourage growth in the managed care program by removing perceived barriers.</p>	<p>Allow employees freedom of choice by increasing the opt-out period from 14 to 21 days (30 days for employees covered by a collective bargaining agreement).</p>		<p>Number of employees who opt out of program.</p> <p>Percent of employees who opted out of the program within 15 to 21 days.</p> <p>Percent of employees who opted out of the program within 22 to 30 days.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>Section 32 Ensure direction of care is only to statutory authorized entities.</p>	<p>Ensure that employers are not exerting undue influence on employees to select a particular MCO.</p>	<p>Identify employers who are unduly influencing employees to go to a MCO.</p>	<p>Number of misdemeanors forwarded for prosecution for these violations.</p>
<p>Section 33 Facilitate evaluation of the efficiency of the program in meeting its goals.</p>	<p>Require insurer to provide requested information on care and cost.</p>	<p>Identify data desired from insurers. Communicate to carriers the legal requirements and desired data elements.</p>	<p>Cost data. Care data. Procurement rates.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
GOAL: To reduce costs via a coordinated care approach to workplace injuries.			
<p>Sections 36 & 37 Enable workers' compensation carriers and self-insured employers to contract with certified Preferred Provider Organizations (PPOs) to provide care to injured workers.</p> <p>Establish minimum standards for PPO certification.</p>	<p>Develop an efficient PPO organization to provide coordinated services while containing costs.</p>	<p>Certify PPOs.</p> <p>Chair waivers five providers per specialty requirement and the choice of three hospitals.</p> <p>Clarify fee schedules that apply.</p> <p>Perform outreach to stakeholders regarding goals and program.</p> <p>Data collection and evaluation regarding costs, utilization, quality and outcomes.</p>	<p>Number of PPOs.</p> <p>Percent of carriers and self-insured employers contracting with PPOs.</p> <p>Percent of employers who purchase PPOs' products.</p> <p>Number of employees who opted out of PPOs.</p> <p>Percent of employees that opted out of PPOs.</p> <p>Number of PPOs without five providers per specialty.</p> <p>Number of PPOs without three hospitals.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>GOAL: Deliver wage replacement benefits in a fair, equitable, and efficient manner while reducing time consuming bureaucratic delays.</p>			
<p>Section 42 Permit an employer sufficient time to investigate a claim while insuring that the claimant receives benefits in a timely manner without prejudicing the rights of either party.</p>	<p>Permits an employer to make payments of compensation without prejudice and without admitting liability for a period of up to one year if it is unsure about the extent of liability for a claim.</p>	<p>The Board must send a notice to the employee recording temporary payment of benefits.</p>	<p>Number of C-7s (a notice that the Right to Compensation is Controverted) or claims controverted.</p> <p>Number of claims controverted after payment without prejudice.</p> <p>Number of days between date employer was notified of initial claim and date of first payment.</p> <p>Number of temporary notices Board sent out.</p> <p>Number of days between incident and notification of employer.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>Section 58 Submit C-2s (Employer's Report of Injury) in a more timely manner (expedite the process).</p>	<p>Facilitate the use of electronic data interchange (EDI) for the submission of C-2s.</p>	<p>Revise the C-2 to accommodate the use of EDI.</p> <p>Revise the rules pertaining to related filings and penalty hearings.</p>	<p>Number of C-2s filed electronically.</p> <p>Number of days between date the employer was notified of accident and date the Board receives the C-2.</p> <p>Number of days between the incident and employer notification.</p>
<p>Section 58 Decrease injury reporting to the Board.</p>	<p>Decrease the number of C-2s being filed.</p>	<p>Employer or designated third party must keep a record of all accidents for 18 years.</p> <p>The Board can impose a penalty if the employer fails to maintain/retain such records.</p> <p>Amend rules to provide format for reporting injuries to the Board.</p>	<p>Number of misdemeanors prosecuted, or convicted due to failure to maintain records.</p> <p>Dollar value of penalties due to failure to maintain records.</p>
		<p>Require the filing of a C-2 if more than one work day is lost.</p>	<p>Number of C-2s filed.</p> <p>Number of days from initial notification to payment of claim.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
Section 58 (contd.)		Eliminate the provision for monthly reporting of minor injuries.	Number of days from initial notification to payment of claim.
Section 62 Ensure timely wage replacement and notification to claimants.	Increase the penalty for carrier's failure to file a timely C-8 (Notice that Payment of Compensation has Been Stopped or Modified). Make the penalty payable to claimant rather than State Treasury.	Assess the \$300 penalty payable to the claimant by the carrier.	Number of penalties assessed. Number of late C-8s
	Increase the penalty for carrier's failure to make timely installment payments of compensation. Make penalty payable to claimant rather than State Treasury.		Number of penalties assessed. Number of late payments.
	Increase the penalty for the carrier's failure to file a notice of controversy or begin payments of compensation and make it payable to claimant rather than State Treasury.		Number of penalties assessed. Number of late notices of controversy. Number of late initial compensation payments.

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
Section 62 (contd.)	Increase the penalty to a carrier for objecting to an award without just cause and make it payable to claimant rather than the State Treasury.		Number of penalties assessed. Number of awards objected by a carrier without just cause.
Section 70 Reduce the number of cases on the calendar, thereby enabling the law judges to focus on more complex cases. Expedite resolution of issues and benefits.	Provides for a less formal dispute resolution process. Expands conciliation jurisdiction to those cases where the expected duration is 52 weeks or less.	Draft a notice of consent. Amend conciliation rules. Provide further training to claims examiners on what cases are appropriate to send to conciliation. Amend procedural subject number.	Number of conciliation meetings held. Number of referrals by examiners. Number of cases resolved by conciliators. Number of days from date of indexing to resolution by conciliation. Number of cases on calendar. Number of cases waiting to get on the calendar. Number of cases with 16 to 52 weeks of benefits.

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>Section 71 Expedite hearings.</p>	<p>Expand situations where an expedited hearing is allowed. (Note: applies only to claims filed after 1/1/97.)</p>	<p>Amend existing rules. Create procedural subject numbers.</p>	<p>Number of expedited resolutions by type for those resolved in less than two years. Number of days from date employer was notified of initial claim to hearing date.</p>
<p>Section 72 Reduce the number of cases on the calendar.</p>	<p>Allow conciliators to preside over pre-hearing conferences to provide law judges with time to handle more complex cases. Allow judges to complete discovery of witnesses, issues and documents.</p>	<p>Revise regulations and develop procedures for referral to conciliators in cases scratched for pre-hearing conferences. Train claims staff.</p>	<p>Average number of hearings per case. Number of pre-hearing conferences per case. Average number of days from date employer was notified of initial claim date to date closed. Number of cases: * on calendar, * waiting to get on the calendar, and * closed by pre-hearing conferences.</p>

OBJECTIVES	STRATEGIES	ACTIVITIES	PERFORMANCE INDICATORS
<p>Section 73 Ensure timely wage replacement, and expedite resolution of issues and benefits.</p>	<p>Allow parties to enter into binding agreements.</p>	<p>Promulgate rules and develop a subject number to effectuate the change.</p> <p>Develop forms.</p> <p>Board must approve binding agreements.</p>	<p>Number of binding agreements.</p> <p>Number of binding agreements approved by the Board.</p> <p>Average number of days from date employer was notified of initial claim date to date closed.</p>
<p>GOAL: Reduce impairments and appearance of impairments of independence.</p>			
<p>Section 57 Reduce the appearance of conflict of interests.</p>	<p>Develop outside arbitration process for judges, conciliators, m/c Board or SIF employees at or above grade MI and Board and SIF executives.</p>	<p>Identify impartial specialists who handle medical issues for these specific people.</p>	<p>Number of arbitrator decisions appealed.</p> <p>Average days from the date employer was notified of initial claim to close of case.</p>

Major Contributors to This Report

Jerry Barber
Frank Houston
Kevin McClune
Steve Sossei
Ken Spitzer
Arthur F. Smith
Todd Seeberger
Karen Bodnar
Melissa Little
David Greene
Nancy Varley



GEORGE E. PATAKI
GOVERNOR

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD
100 BROADWAY-MENANDS
ALBANY, NY 12241

(518) 474-6670

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OFFICE OF THE STATE COMPTROLLER
MANAGEMENT AUDIT
NYC OFFICE
ROBERT R. SNASHALL
CHAIRMAN

Frank J. Houston
Director of State Audits
Office of the State Comptroller
Division of Management Audit and
State Financial Services
270 Broadway, 19th Floor
New York, NY 10007

Re: Staff Study on Performance Measurement
for the Workers' Compensation Reform of 1996
(Draft Report 97-D-15)

Dear Mr. Houston:

We have reviewed your Draft Report 97-D-15 with respect to performance measurements which can be used to determine the degree to which the 1996 Reforms (Chapter 635, 1996 Laws) will produce a more efficient, more effective, and less costly workers' compensation system.

Our interest in and our intent to implement a performance measurement system predates the 1996 Reforms. When I began as Board Chairman in May 1995, I reviewed the State Comptroller's Audit Report 93-5-98 which was done under my predecessor and I placed a priority on our initiative to implement the State Comptroller's recommendations with respect to performance measurements and, in particular, a computer system which can be used to measure productivity. Our Business Process Improvement Study, which subsequently began in 1995, resulted in the management information requirements and performance measures developed by the Board's consultants, Price Waterhouse. The Board now has a performance measurement development team dedicated to refining and implementing the performance measurement process. Hence, we have and will continue to pursue a course designed to develop, refine and implement performance measurements consistent with the recommendations in your Draft Report.

We sincerely appreciate your cooperation with us and your assistance to us in this endeavor. Thank you.

Sincerely yours,

Robert R. Snashall
Chairman
Workers' Compensation Board

THIS AGENCY EMPLOYS AND SERVES PEOPLE WITH DISABILITIES WITHOUT DISCRIMINATION