



MINUTES OF THE MEETING OF THE JOINT APPROPRIATIONS SUBCOMMITTEE  
ON HUMAN SERVICES  
January 7, 1983

Begin Tape 2 Side Two

The meeting was called to order at 8:10 a.m. by Chairman John Shontz. Senator Story was the only committee member absent.

Also present were : Norman Rostocki and Larry Finch, Fiscal Analyst's office; David Hunter, Commissioner from the Department of Labor; Gary Blewett, acting director of Worker's Compensation and Carla Smith from the office of Worker's Compensation.

Larry Finch, Fiscal Analyst gave a brief explanation of the reasons for the difference of figures on the spread sheets he brought (exhibits 1,4,5 and 6) with the figures in the budget analysis book. The difference between the LFA and the Executive include a reduction of \$150,000 due to a reduction of communications expenses which the building bond will pick up. Both the LFA and executive had allowed for full funding of silicosis benefits. There were amounts included for equipment purchases which is no longer being requested and a reduction in moving expenses also. He explained that the main sources of funding for Worker's Compensation come from 1) the General Fund, 2) the Worker's Compensation assessments and from two small federal grants, one from OSHA and one from the Coal Mine Health & Safety Act.

DEPARTMENT OF ADMINISTRATION: Worker's Compensation Division

David Hunter, Commissioner of Labor and Industry introduced two people from his office present; Gary Blewett, Administrator of Workmen's Compensation and Carla Smith.

He explained that the auditing of records has been combined and they now do both worker's compensation and unemployment claims and this has been turned over to centralized services.

Gary Blewett then presented to the committee his analysis. He first pointed out he would cover six areas: 1) FTE level, 2) Approved Claims Management System, 3) Equipment Purchases, 4) Uninsured Employers Programs, 5) Social Security Offset Program and 6) the Silicosis Program.

The FTE chart (exhibit 3) he explained showed claims filed and projected workloads now and in the past. The staffing personnel showed the number of FTE there were authorized and the actual number of FTE that were actually filled during the year. This chart represented all claims filed both from the private sector as well as from the state. It showed a steady climb in claims filed and a decline starting to show in FTE's which is the reason they are now showing a decrease at this time due to auditors being transferred. On the approved claims management system and equipment purchases the department maintained that the current level of budget should continue since the workload and the computer system will eventually save the FTE also and until the improved claims management system is operating they need the budget to keep this operating at the same level it is now. He maintained that the phasing out of FTE in 1985 would be due to the

installation of new computers.      Tape 2      Side 2      442

Rep. Bardanoue commented that he was pleased with the efforts the department has projected thus far in holding down expenses and for working as hard as they have.

Rep. Shontz inquired as to what the actual workload is that was presented on the chart and was told that it was about 50/50 between private insurance company claims and state Workman's compensation claims. Rep. Winslow questioned the number of claims and he stated that it shows that when more experienced people are on the job there are less claims than when less experienced people are on the job. See exhibit 3

#### UNINSURED EMPLOYERS PROGRAM

Gary Blewett explained that this fund is set up for employers who do not get insurance and the funds helps those employees who seek benefits. This program has gone broke and does not have enough now to fund it and they would like to see some way to fund this. He understood that there would be a bill submitted to assess the general payroll of all employees for this fund. They would like to see an increase in the enforcement policies to see that employers set up insurance.

#### SOCIAL SECURITY OFFSET PROGRAM

They recommended \$95,000 in funding for 1984 and \$102,000 for 1985 would be needed to maintain this program. This program has a limited number of claimants (19) and the social security increase is based on a 9% increase for the new year. This would be needed to maintain the current program.

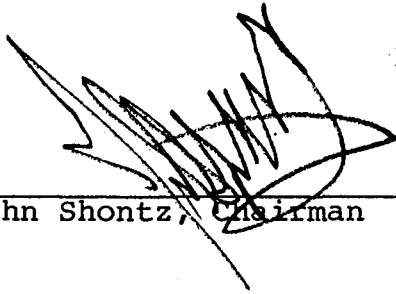
End of Tape 2      617

#### SILICOSIS PROGRAM

Gary explained that the silicosis program benefits soon would be declining and he explained that the current claimants who have contracted the disease has gone down and the widowed spouses who receive claims. The department is dealing with a decreased number of people because of the age category between 71 and 94 and this has been going down because of the death rate. He explained in 1983 there were 219 direct claimants and 196 widowed claimants and in 1984 a projection of 199 direct claimants and 180 widowed claimants and in 1985 possibly 175 direct claimants and 160 widowed claimants. Rep. Menahan felt this program is going to be a thing of the past and fewer and fewer claims would be filed for benefits.

Sen. Regan asked if there is to be a bill before the Legislature this session concerning these benefits and was told there will be one, HB 48 being sponsored by McBride which would increase the benefits to widowed spouses.      Tape 3      Side 1      154

This meeting was adjourned at 9:15 a.m. by Chairman Shontz.



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John Shontz, Chairman



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Carol Duval, Secretary

AGENCY Worker's Compensation

PROGRAM State Insurance Fund (11)

Subprogram \_\_\_\_\_

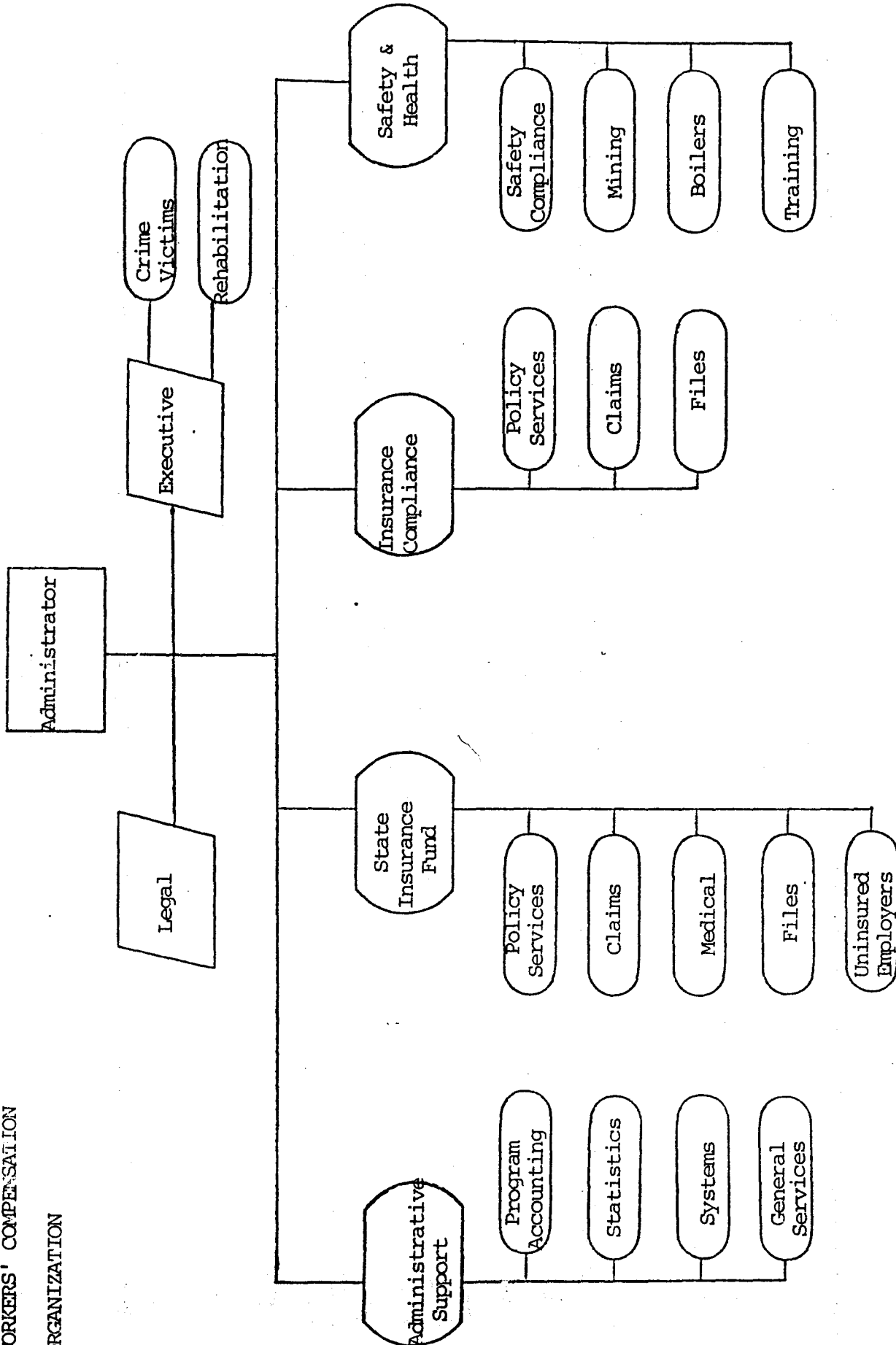
Exec. Budget Page 458

Fiscal Analyst's Page 741

EXPEND.	1984 BUDGET			1985 BUDGET			
	1982 Actual	Exec. Budget	Fiscal Analyst	Exec.-LFA Variance	Exec. Budget	Fiscal Analyst	Exec.-LFA Variance
FTE	63.33	67.50	64.83	2.67	68.00	64.83	3.17
Personal Serv.	893,036	1,264,185	1,214,897	49,288	1,271,737	1,214,019	57,718
Operating Serv.							
21 Contr. Serv.	340,625	806,847	662,209	144,638	931,493	718,607	212,886
22 Supplies	59,364	33,136	35,269	<2,133>	39,006	41,812	<2,806>
23 Communication	108,316	193,101	148,504	44,597	261,298	199,978	61,320
24 Travel	39,051	67,659	68,654	<995>	74,647	75,834	<1,187>
25 Rent	48,708	48,807	51,735	<2,928>	18,303	19,401	<1,098>
25 Utilities	5,010	6,722	6,722	—	20,218	23,010	<2,792>
27 Repairs	12,097	18,980	20,075	<1,095>	23,577	24,973	<1,396>
28 Other	5,220	4,475	4,529	<54>	4,890	4,956	<66>
Subtotal	613,391	1,179,727	997,697	182,030	1,373,432	1,108,571	264,861
Non-Operating							
1. EQUIPMENT	66,543	58,883	58,883	—	26,118	26,118	—
2. TRANSFERS			10,377	<10,377>		10,463	<10,463>
3. LEASE-PURCHASE		2739	0	2739			
4.							
5.							
6.							
Total Expenditures	1,572,970	2,505,534	2,281,854	223,680	2,671,287	2,359,171	312,116
Funding							
General Fund							
Other Funds							
1. 02455	1,572,970	2,505,534	2,281,854	223,680	2,671,287	2,359,171	312,116
2.							
3.							
4.							
5.							

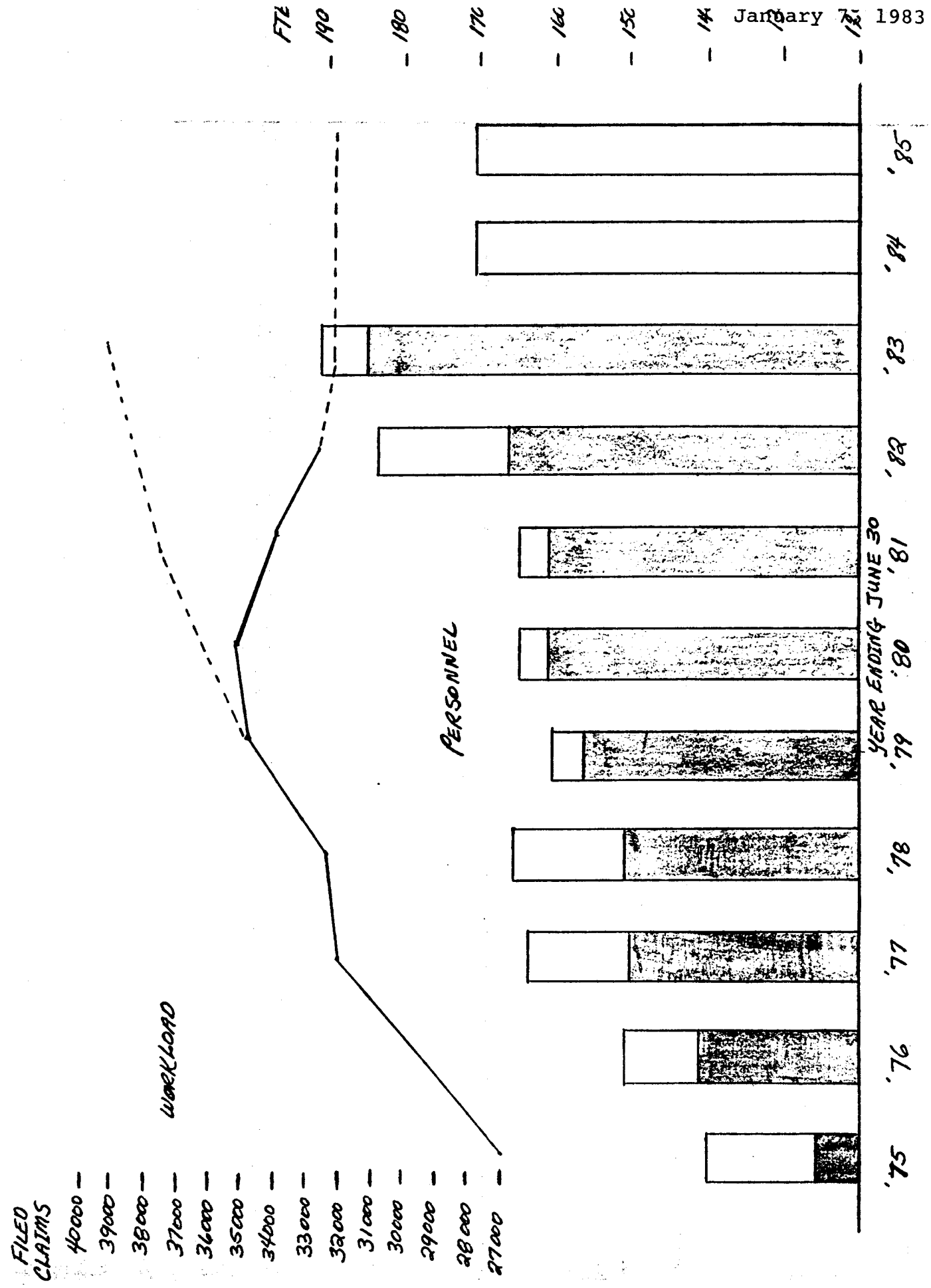
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WORKERS' COMPENSATION  
ORGANIZATION



(3)

# WORKERS' COMPENSATION



AGENCY Worker's Compensation

PROGRAM Insurance Compliance (12)

Subprogram \_\_\_\_\_

Exec. Budget Page 459

Fiscal Analyst's Page 742

EXPEND.	1984 BUDGET			1985 BUDGET			
	1982 Actual	Exec. Budget	Fiscal Analyst	Exec. -LFA Variance	Exec. Budget	Fiscal Analyst	Exec. -LFA Variance
FTE	22.0	22.0	22.0	—	22.0	22.0	—
Personal Serv.	332,131	385,004	385,897	<893>	384,158	385,338	<1,180>
Operating Serv.							
21 Contr. Serv.	29,126	40,488	42,840	<2352>	28,594	30,523	<1929>
22 Supplies	4,169	11,248	11,921	<673>	11,844	12,692	<848>
23 Communication	28,979	33,901	33,901	—	42,528	46,380	<3,852>
24 Travel	481	4,598	4,724	774	4,837	4,976	<139>
25 Rent	21,043	21,500	22,790	1,290	7500	7950	<450>
25 Utilities	3420	4,568	4,568	—	11,217	12,286	<1069>
27 Repairs	5099	7446	7872	<426>	8893	9404	<511>
28 Other	315	615	652	<37>	615	652	<37>
Subtotal	92632	124,364	129,268	<4904>	116,028	124,863	<8,835>
Non-Operating							
1. SILICOSIS-Ben.	759,513	693,600	693,600	—	612,000	612,000	—
2. EQUIPMENT	24,049	3,241	3,241	—	1,391	1,391	—
3. TRANSFERS			3291	<3291>		3318	<3318>
4.							
5.							
6.							
Total Expenditures	1,208,325	1,206,209	1,215,297	<9088>	1,113,577	1,126,910	<13,333>
Funding							
General Fund	769,273	705,060	705,060	—	623,308	623,308	—
Other Funds							
1. 02155	439,052	501,199	510,237		490,269	503,602	<13,333>
2.							
3.							
4.							
5.							



AGENCY Worker's Compensation

PROGRAM Administration (10)

Subprogram \_\_\_\_\_

Exec. Budget Page 457

Fiscal Analyst's Page 737

EXPEND.	1984 BUDGET			1985 BUDGET			
	1982 Actual	Exec. Budget	Fiscal Analyst	Exec. -LFA Variance	Exec. Budget	Fiscal Analyst	Exec. -LFA Variance
FTE	66.34	52.0	51.0	1.00	52.0	51.0	1.00
Personal Serv.	1,132,595	1,131,634	1,106,274	25,360	1,129,225	1,104,798	24,427
Operating Serv.							
21 Contr. Serv.	261,006	605,379	199,409	405,970	224,733	144,581	80,152
22 Supplies	20,228	22,142	23,175	<1,033>	25,057	26,103	<1,046>
23 Communication	34,123	30,013	30,253	<240>	42,140	46,473	<4,333>
24 Travel	74,600	74,094	76,343	<2,249>	73,797	76,024	<2,227>
25 Rent	58,601	56,763	59,823	<3,060>	24,710	25,889	<1,179>
25 Utilities	6,184	7,397	7,397	—	22,399	13,168	9,231
27 Repairs	12,993	27,616	27,885	<269>	50,379	51,125	<746>
28 Other	3,646	34,636	34,734	<98>	4,132	6,117	<1,985>
<b>Subtotal</b>	<b>471,381</b>	<b>858,040</b>	<b>459,019</b>	<b>&lt;399,021</b>	<b>467,367</b>	<b>389,180</b>	<b>77,887</b>
Non-Operating							
1. <u>EQUIPMENT</u>	46,456	148,420	0	148,420	1,803	0	1,803
2. <u>Benefits</u>	91,438	101,781	90,000	11,781	110,671	90,000	20,671
3. <u>Transfers-Build.</u>	1,186,362	608,027	608,027	—	575,884	575,884	—
4. <u>Transfers-Other</u>			9446	<9446>		9525	<9525>
5.							
6.							
<b>Total Expenditures</b>	<b>2,928,232</b>	<b>2,847,902</b>	<b>2,272,766</b>	<b>575,136</b>	<b>2,284,950</b>	<b>2,169,687</b>	<b>715,263</b>
Funding							
General Fund	91,438	101,781	90,000	11,781	110,671	90,000	20,671
Other Funds							
1. <u>02455</u>	2,802,253	2,189,910	2,126,555	563,355	2,116,345	2,021,753	94,592
2. <u>03131</u>	34,441	56,211	56,211	—	57,934	57,934	—
3.							
4.							
5.							

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AGENCY Worker's Compensation

PROGRAM Safety and Health (13)

Subprogram \_\_\_\_\_

Exec. Budget Page 460

Fiscal Analyst's Page 744

	EXPEND.	1984 BUDGET			1985 BUDGET			
		1982 Actual	Exec. Budget	Fiscal Analyst	Exec.-LFA Variance	Exec. Budget	Fiscal Analyst	Exec.-LFA Variance
FTE		28.00	28.00	26.00	2.00	28.00	26.00	2.00
Personal Serv.		520,374	642,646	606,333	36,313	641,197	605,511	35,686
Operating Serv.								
21 Contr. Serv.		10,949	19,871	15,470	<599>	16,362	16,939	<577>
22 Supplies		25,967	34,241	36,173	<1932>	37,910	40,934	<3,024>
23 Communication		18,646	19,495	19,513	<18>	25,177	29,304	<4,127>
24 Travel		107,849	147,018	149,922	<2904>	145,175	147,963	<2,788>
25 Rent		30,525	32,711	34,537	<1,826>	12,435	13,044	<609>
25 Utilities		756	1,004	1,004	—	5303	6261	<958>
27 Repairs		6135	7,356	7398	<42>	8250	8249	1
28 Other		2073	2,845	2955	<110>	3016	3132	<116>
Suototal		202,900	259,541	266,972	<7,431>	253,628	265,826	<12,198>
Non-Operating								
1. EQUIPMENT		19501	51,545	51,545	—	31,268	40,318	<9,050>
2. TRANSFERS				5,180	<5,180>		5224	<5224>
3.								
4.								
5.								
6.								
Total Expenditures		742,775	953,732	930,030	23,702	926,093	916,879	9,214
Funding								
General Fund								
Other Funds								
1. 02455		710,564	915,185	891,483	23,702	887,492	878,278	9,214
2. 03130		32,211	38,547	38,547	—	38,601	38,601	—
3.								
4.								
5.								

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DWC BUDGET REQUEST

1985 Biennium

SCHEDULE I

	<u>F/Y '84</u>	<u>F/Y '85</u>
NEW DEVELOPMENT	\$332,369	-0-
SYSTEMS SUPPORT	37,884	\$ 44,452
PRODUCTION		
Alpha/Mail	54,846	39,293
Rehab	-0-	2,620
Statistics	<u>14,905</u>	<u>14,204</u>
	\$440,004	\$100,569

NEW DEVELOPMENT

In July of 1980 when the budget estimates were compiled for systems development, the Claims Management Systems Study had not yet begun. Certain key functions were defined, however, as being in critical need of upgrade. For example, it was identified at that time that compensation and medical warrant writing needed to be streamlined, and that file management needed improvement. Policy Services' cancellation process was also in need of an overhaul, and development of a more economical Alpha Look-Up System was required. Based on this, the Division budgeted \$288,837 for new development for the State Fund and Centralized Services Bureaus.

In December of 1980, the Division contracted with Information Systems Division to begin Phase I of the systems study in order to determine the most feasible approach to accomplishing these upgrades. By July of 1981, when the second phase of the systems study was completed, it was becoming apparent that many more functions (approximately 15) were in need of upgrade than the

original five identified in 1980. Phase III of the systems study, completed in January of 1982, not only identified those additional functions, but also recommended a systems rewrite as the best method to accomplish the upgrades required. The rewrite would also allow the best and most flexible, as well as cost effective, approach to solution of the Division's problems.

At the time this budget is being compiled, only \$81,084.70 of the original \$288,837 has been used. The systems study is well into Phase IV and actual programming is scheduled to begin in January of 1983. By January of 1984 the Policy Services functions of the system will be operational, and by July of 1984 the Claims and Medical functions will be operational. The additional funding required to complete this project will allow the Division to take advantage of the most advanced technology as well as the most cost effective and procedurally efficient methods for solution to their problems.

#### SYSTEMS SUPPORT

Based on the following recommendation written by Systems Development Bureau, the support costs for the DWC-MIS were requested:

"System Enhancement, Maintenance, and Recovery Services are anticipated to peak during the initial year of operation. Past experience has shown that minor enhancements are usually identified during this time as a result of the ongoing day-to-day operation of a new system. Even though the system may meet the requirements as they were defined, these enhancements would provide for more effective utilization of the system. Therefore, Systems Development Bureau recommends that one FTE be dedicated to support the new system for the first 6-12 months after installation.

"The cost for subsequent years is estimated based on the assumption that one-half of an FTE would be required to support the system. This requirement

would become more apparent after the first year of operation, at which time the contract would be renegotiated accordingly.

"It should be noted that although this cost is considerably higher than is currently being incurred for the existing system, charges for enhancement to the existing system would increase substantially in upcoming years in order for the existing system to meet more and more of DWC's needs.

"The cost for FY '84 includes costs for maintaining the existing system during the entire year as well as support of Policy Services functions of the proposed system from January - June of 1984. The cost for FY '85 reflects a dedicated FTE from July - December of 1984 and 1/2 FTE for January - June of 1985."

#### PRODUCTION

The estimates for all production costs for fiscal year 1984 show an approximate 11% increase over what the estimated production costs of the current system would have been. This increase (over all programs, about \$23,000) is due to the anticipated installation of the Policy Services functions of the proposed new State Fund Management Information System in December of 1983. New applications that will become available at that time include:

- Issuance of Policy Declarations
- Extra Territorial Information
- Certification Information
- Initial Deposit Billing and Receipting
- Improved Payroll Receipting, Estimating, and Premium Billing for Cancelled and Delinquent Accounts
- Cancellations and Follow-Up
- Policy Reinstatement.

These functions are primarily manual processes currently.

In July of 1984, the installation of the Medical and Claims management functions of the proposed system is to take place. This accounts for the 27% increase in the operational estimates over those the current system would have required. (For all programs, about \$55,000.) New applications that will become operational, in addition to those outlined above, include:

- New Claims Information and Control
- Automated File Management
- Audit and Payment of Medical
- Field Referral
- Rehabilitation Follow-Up
- Compensation Payments
- Claims Management Information
- Improved Alpha Look-Up Capability.

All things considered, these increases are relatively small and are definitely justifiable in terms of the benefits to be derived by the Division as a whole and the State Fund in particular.

SCHEDULE IV

IBM DISTRIBUTIVE PROCESSING EQUIPMENT

<u>PROGRAM 10</u>	<u>F/Y 1984</u>	<u>F/Y 1985</u>
IBM 8130 Distributive Processor	\$ 54,275	
Storage and I/O Unit	20,790	
8809 Tape Drive	11,960	
3262 Line Printer	17,690	
Three 3104 Display Stations	<u>6,345</u>	
	\$111,060	\$ -0-
<u>PROGRAM 11</u>		
Seventeen 3104 Display Stations	\$35,955	-0-

The current computer system operates using equipment owned by the Division and utilized by three bureaus: Compliance, State Fund, and Centralized Services. The State Fund Claims Management System now in development proposes that all of the existing equipment will be maintained and will continue to be utilized. However, the proposed system will only realize its full potential in terms of meeting its objectives if the information is made available to all systems users in the most effective way:

Distributive Processor with Storage & I/O Unit - This equipment will allow for the following:

- The most efficient methodology for capturing information that must be input daily, including approximately 500,000 financial transactions processed each year.
- Amortized over a two year period, this equipment will realize a definite cost savings over any alternative methods: CICS Entry

or Batch-mode Entry at Computer Services Division (approximately \$30,000 to \$35,000 per year in processing or contracted services costs).

- Additional display stations may be added as needed without upgrading the control capabilities.
- Future applications, such as Compliance Bureau adjuster information or carrier information, may be developed on this equipment, saving future undefinable processing costs.

Tape Drive - This equipment will allow the following:

- The capability for routine "back-up" of the system. If equipment failure or software failure occurs, the information will not be lost and alternative methods for processing can be pursued.
- More flexibility in information transfer and/or capture by affording alternative methods for data storage.

Line Printer - This equipment will:

- Minimize routing of reports and routine hard copy output back and forth across town from Computer Services Division.
- Allow the flexibility of same-day report generation in response to management or private sector requests.

Twenty Display Stations - This equipment will allow for the following:

- Improved response to the private sector through rapid access to employer and claimant information.



- Improved services to the medical provider by allowing rapid access to required information for payment of fees.
- Improved efficiency of State Fund employees through rapid processing of information when performing various functions.
- Improved control over documents processed through decreased demand on, and better management of, the paper file environment.