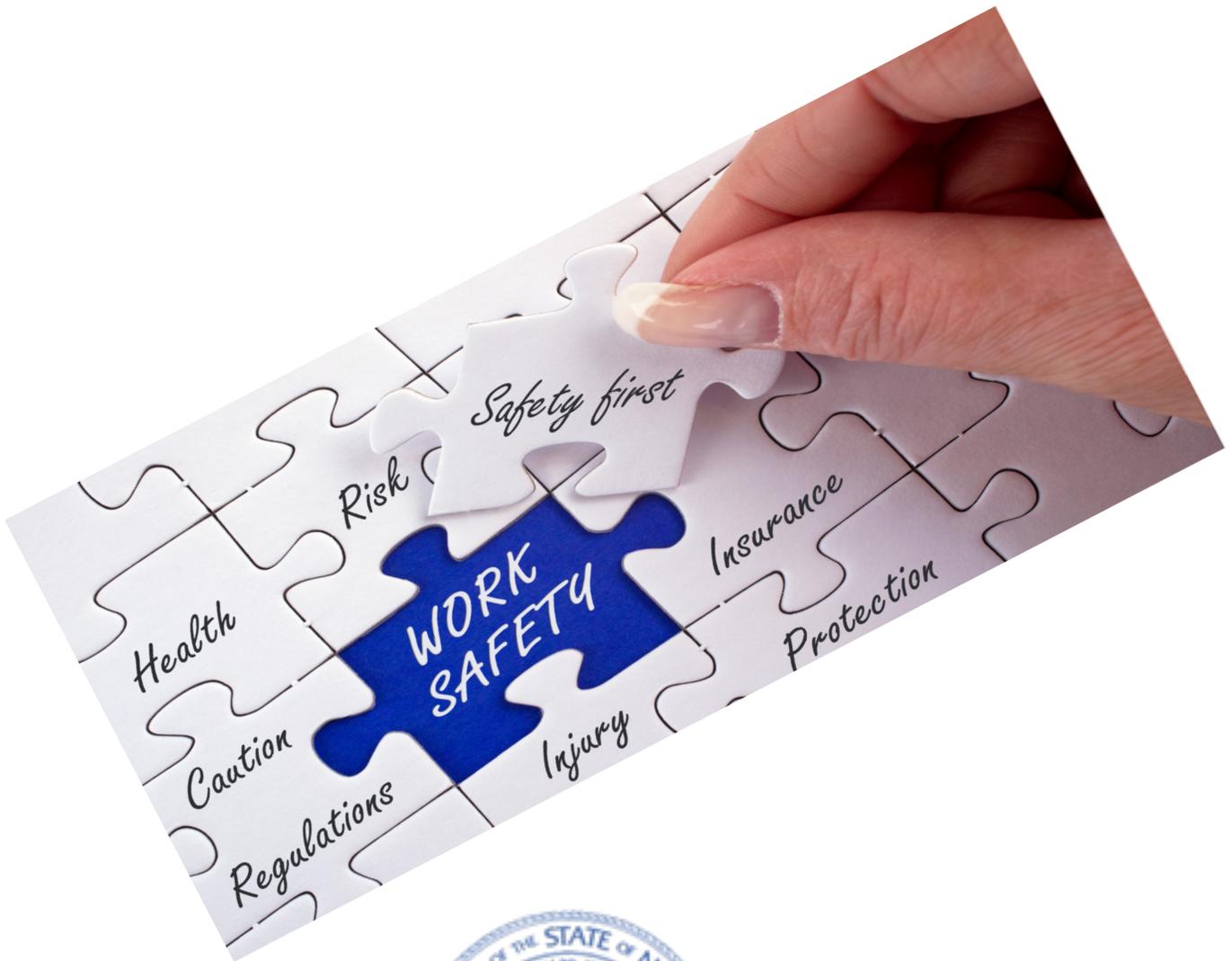


REPORT TO

*General Assembly on Article 63  
State Employee Workplace Requirements Program  
for  
Safety, Health & Workers' Compensation*

Report compiled by: North Carolina Office of State Human Resources - Safety, Health & Workers' Compensation Division





Barbara Gibson, Director  
Office of State Human Resources

Members of the North Carolina General Assembly,

I am pleased to provide this report outlining the activities and accomplishments of the Office of State Human Resources' (OSHR) Safety, Health and Workers' Compensation Division (SHWC) for fiscal year 2017. This report is pursuant to NCGS §143-583. Our office is proud to highlight the progress of the State Workers' Compensation Program (SWCP) during the fiscal year. In the Appropriations Act of 2015, the General Assembly designated specific unspent funds—originally appropriated for use in Fiscal Year 2016—be transferred to OSHR for use in settling workers' compensation claims for FY 2017. Because of this astute decision, funds totaling \$4,389,797 were available for OSHR to allocate to state agencies and universities to assist in claims settlements. These funds have generated projected future cost avoidance of at least \$51.9 million dollars.

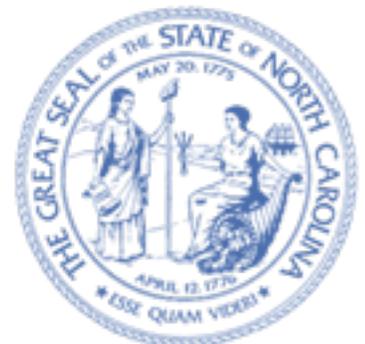
The SHWC's effective work, outreach, and resourcefulness is evidenced by the continued decline in total claims in FY17. The 4,379 new claims filed in FY17 represents a 19% percent decline over the past four fiscal years. This steady decrease indicates an increased awareness of workplace hazards by State agency/university employees and employers. The decrease also signifies the importance of addressing workplace hazards before an injury occurs by having a comprehensive employee engagement program. The SWCP covers approximately 108,000 state employees as of June 30, 2017; thus, constant vigilance to reduce safety hazards, ongoing safety and hazard awareness training, and continuing management commitment to a strong safety culture are necessary to continue reducing the number of injuries that occur each year.

OSHR and the SHWC Division will continue to be proactive in reducing costs and injuries by providing best practices, continuing to improve our robust employee engagement strategies, and collaborating with agencies and universities.

If you have any questions or need further information, please do not hesitate to let us know.

Sincerely,

Barbara Gibson  
Director  
Office of State Human Resources



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## *Introduction & Executive Summary*

NCGS §143-583 requires the Office of State Human Resources (OSHR) to annually file this report no later than September 1 of each year with the Joint Legislative Commission on Governmental Operations describing the safety, health, and workers' compensation activities of State agencies, compliance with Chapter 143, Article 63 and fines levied against state agencies pursuant to Chapter 95, Article 16.



This report includes a description of the FY 2017 activities of the OSHR Safety Health and Workers' Compensation Division. Statewide workplace safety, hazard identification, and outreach programs are detailed herein. State Workers' Compensation Program performance metrics and a description of the Division's efforts to improve overall claims management through partnerships with contracted vendors and ongoing education, communication, and resources provided to State agencies and universities are also described.

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# *Division Structure*

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The OSHR Safety, Health and Workers' Compensation (SHWC) Division administers the state's programs pursuant to the guidelines in NCGS Chapter 143, Article 63.

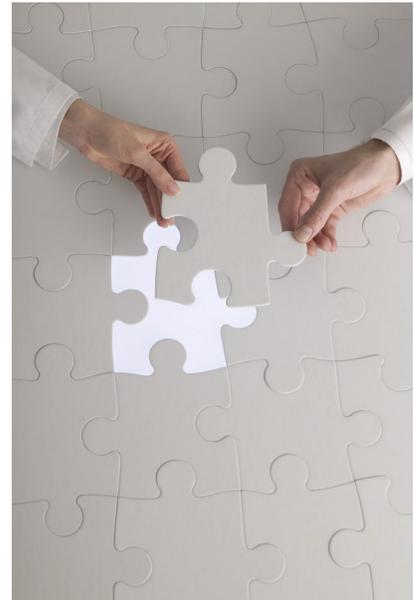
## ***Division Functions:***

Oversight of Statewide Safety and Health Program, including:

- Consults with agencies and universities in the areas of safety, health and industrial hygiene
- Reviews agency safety policies/programs; researches and advises agencies on safety-related matters
- Audits agency, university and vendor performance regarding to adherence to safety activities
- Works in partnership with statewide safety professionals as part of the Statewide Safety & Health Steering Committee

***Oversight of State Workers' Compensation Program*** (SWCP), including:

- Administers all vendor contracts for workers' compensation-related services
- Directs claims management and administration practices by establishing business processes for agencies/universities and vendors
- Monitors vendors' adherence to contract requirements by establishing performance measures
- Assists agencies and universities with proper claims handling
- Provides claims handling/management training/education to agency and university employees
- Serves as on-call information resource for agency and university workers' compensation administrators
- Evaluates agency and university claims management practices as compared to established standards
- Monitors claim litigation and settlements
- Handles process for awarding Workers' Compensation Settlement Reserve Funds appropriated by NC General Assembly
- Identifies ongoing claims for improved outcome and cost containment opportunities



## ***Summary of FY 2017 Safety Activities***

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### ***A. Workplace Requirements Safety and Health Outreach Program for Universities and Agencies***

The Office of State Human Resources (OSHR), Division of Safety, Health and Workers' Compensation administers State programs pursuant to NCGS Chapter 143, Article 63, State Employees Workplace Requirements Program for Safety, Health, and Workers' Compensation. Pursuant to this statutory authority, OSHR provides all State agencies and UNC System institutions with safety expertise and administers a workers' compensation claims administration program on their behalf; however, OSHR is not a regulatory agency that issues citations or fines.

In FY 2017, OSHR developed an Outreach Program to achieve the requirements of NCGS Chapter 143, Article 63 while simultaneously building partnerships with State agencies and universities.

The Outreach Program consists of reviewing safety and health programs, policies, procedures, documentation of safety reports, training programs and records, safety goals, injury analysis, hazard assessments, safety committee meeting minutes, and a campus or facility tour including maintenance shops, grounds, and laboratories.

OSHR's goal is to work with agencies and universities to ensure a workplace free of hazards. Workplace safety functions operate best when management commitment, employee involvement, hazard recognition, and effective training come together. A foundation of workplace safety built with these four principles will yield a successful safety program.

To date, the Outreach Program has been conducted at five UNC System institutions. The Outreach Program will continue with State agencies and universities throughout FY 2018.

### ***B. Safety and Hazard Education and Training***

SHWC Division staff conducted numerous ergonomic evaluations at various state agencies. Ergonomic evaluations were conducted following an employee report of discomfort at their workstation or as a preventative measure to reduce potential future injuries. SHWC Division staff are helping agencies train and establish their own ergonomic evaluation teams so continued evaluations can be conducted by agency personnel.

SHWC Division staff have also developed and uploaded to the agency website several safety model programs that can be implemented by agencies and universities within their operations or to enhance their current programs.

**C. NC Department of Labor (DOL) Inspection Activity regarding citations & fines for State Agencies and Universities in FY 17**

The North Carolina Department of Labor, Division of Occupational Safety and Health conducted inspections or responded to complaints in State government facilities.

Description	State Government
Total Inspections Listed 3	2
Total Inspections Conducted	32
Total Inspections with Citations 1	0
Total Inspections Still Pending (Not Complete)	2
Total Inspections without Citations	20
Total Citations Issued 4	4
Total Initial Penalty Assessed	\$34,425
Total Current Penalty Assessed	\$35,425

Open Date	Inspection Number	Establishment Name	Total Violations	Other Violations	Initial Penalty	Current Penalty	Paid Penalty	Close Date
8/10/216	318084654	The Nonwovens Institute, North Carolina State University	2	0	\$8,700	\$8,700	\$0	Open
2/16/2017	318099009	NC DPS – Central Prison	3	0	\$6,300	\$6,300	\$6,300	4/24/2017
2/28/2017	318100245	NC DPS – NC Correctional Institution for Women	1	0	\$6,300	\$6,300	\$6,300	4/26/2017
5/25/2017	318107984	UNC at Chapel Hill	4	2	\$4,125	\$4,125	\$0	Open
5/30/2017	318108057	NC DOT Safety & Risk Management	3	1	\$9,000	\$9,000	\$0	Open
<b>Total Inspections Listed: 5</b>			<b>13</b>	<b>3</b>	<b>\$34,425</b>	<b>\$34,425</b>	<b>\$12,600</b>	

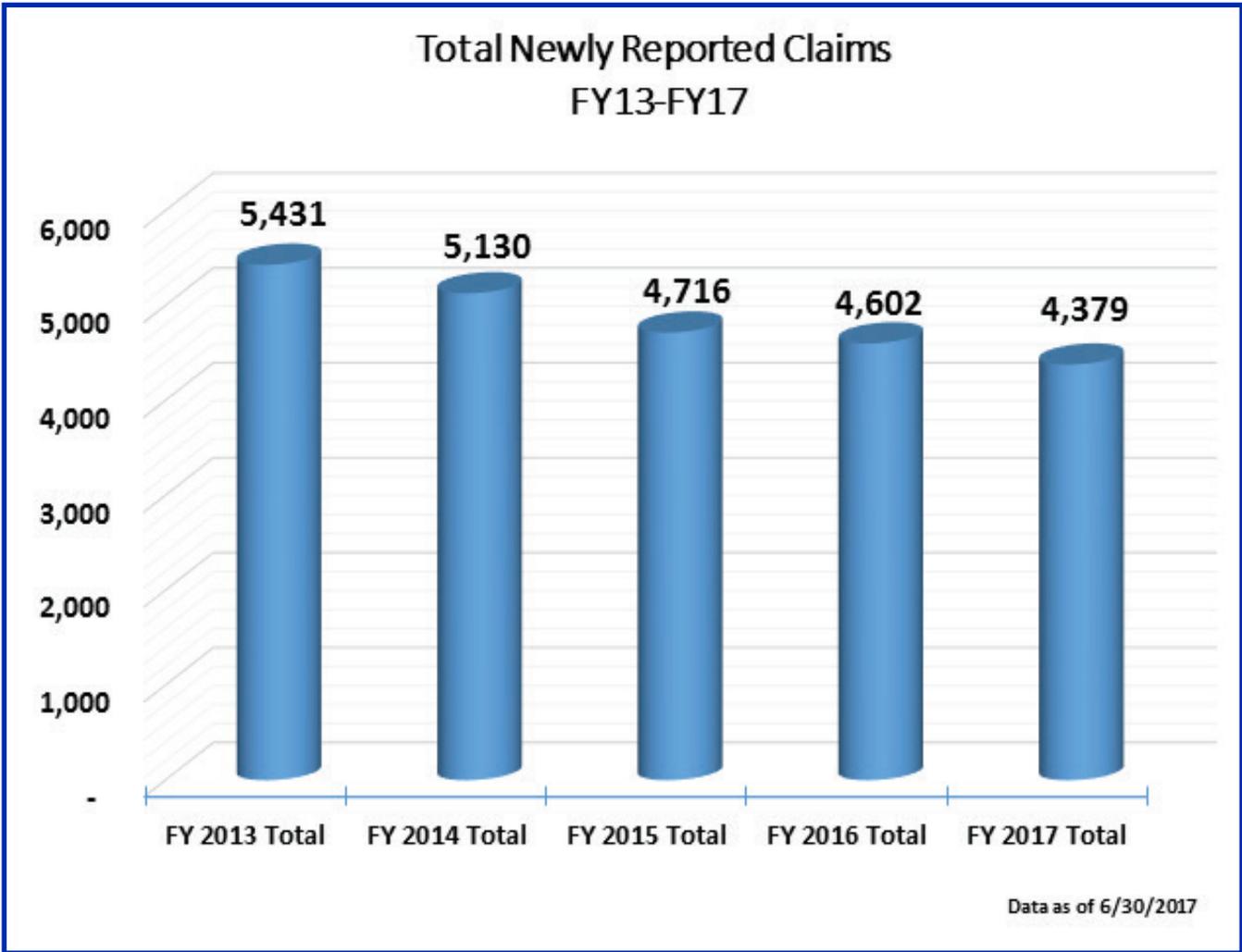
*This list includes only agencies, universities or organizations that were levied a financial penalty by the Department of Labor.*

## *Summary of FY 2017 Workers' Compensation Activities*

The OSHR State Workers' Compensation Manager and Workers' Compensation Consultants work directly with state agency HR staff, contracted vendors, and the NC Department of Justice-Workers' Compensation Section to administer all State Workers' Compensation Program claims. Claims management includes ongoing implementation of adopted best practices throughout the entire claims administration process whose duration varies from one day through the remainder of the injured employee's lifetime.



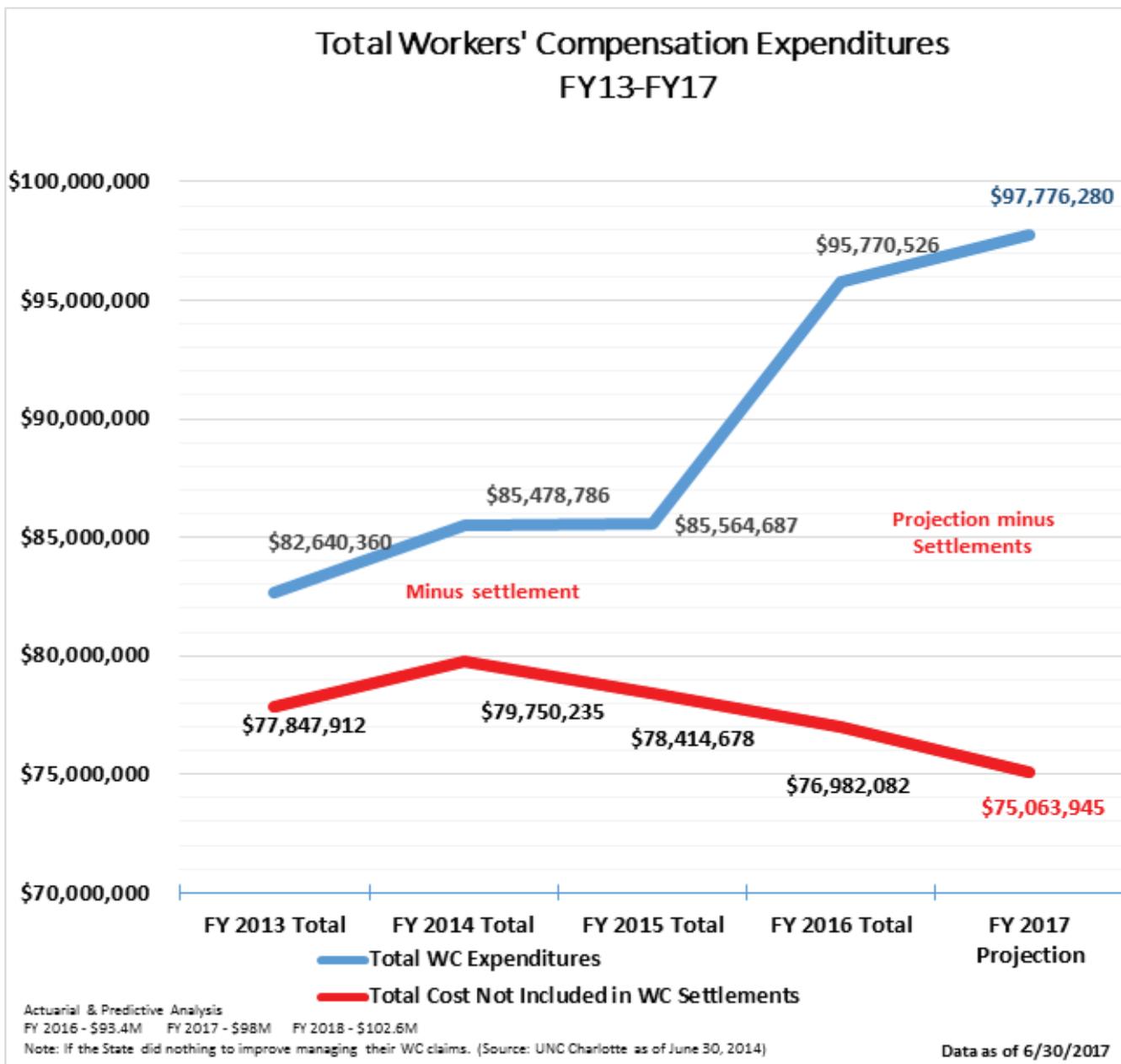
Performance metrics reveal ongoing improvement in claim outcomes, cost containment, and future cost avoidance. The charts herein highlight several quantifiable trends attributable to increased OSHR and agency involvement in daily claims handling working in collaboration with contracted vendors.



***Continuous Improvement - Number of Total Claims Continues to Decline in FY17***

- FY2013-2015: 13% Reduction in Workplace Injuries
- FY2013-2016: 15% Reduction in Workplace Injuries
- FY2013-2017: 19% Reduction in Workplace Injuries

The 4,379 new claims filed in FY17 represents a 19% percent decline over the past four fiscal years. This steady decrease indicates an increased awareness of workplace hazards by State agency/university employees and employers and the importance of addressing them before an injury occurs. The SWCP covers approximately 108,000 state employees as of June 30, 2017; thus, constant vigilance to reduce safety hazards, ongoing safety and hazard awareness

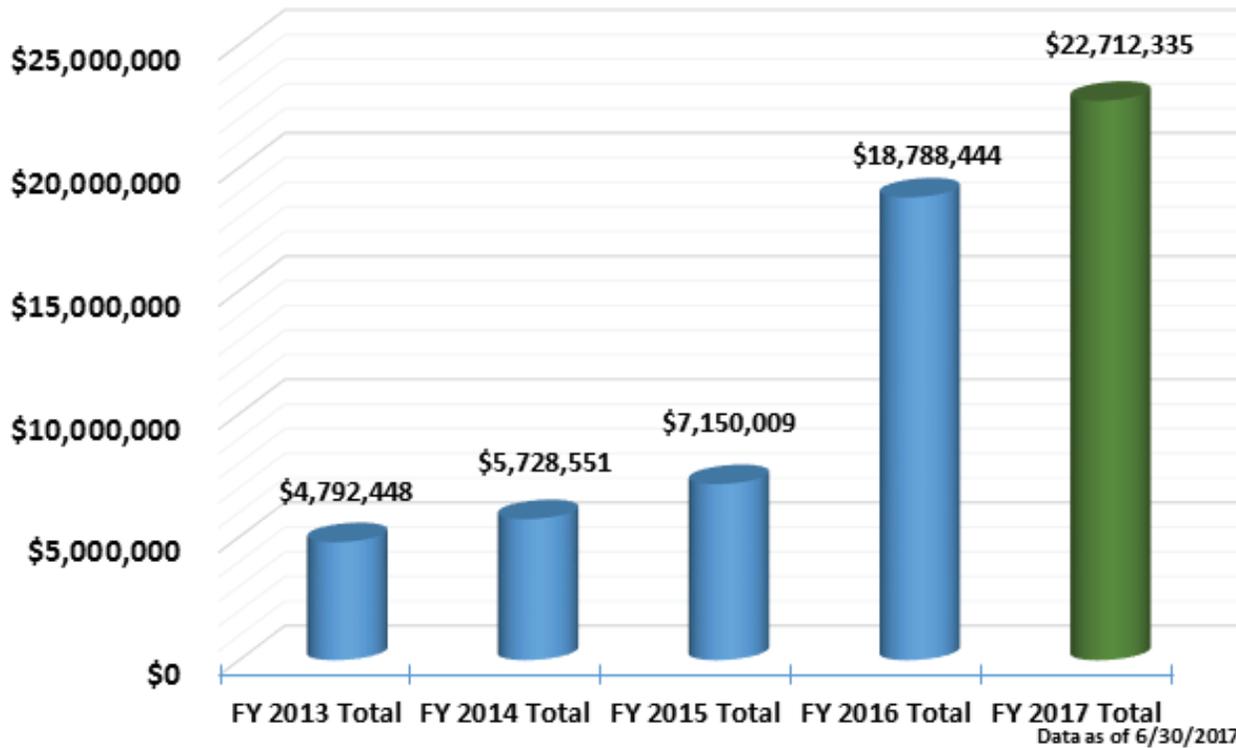


### ***Increased Total Workers' Compensation Expenditures for Claim Settlements Will Yield Future Cost Savings***

The increase in total workers' compensation expenditures for FY 17 over FY16 is largely attributable to the increase in full and final claim settlements. With the adjustment for claim settlements, overall total workers' compensation expenditures actually decreased from **\$76,982,082** to **\$75,063,945**, a total cost savings of **\$1,918,137** from FY16 to FY17. These savings are attributable to increased agency involvement in claims handling in accordance with OSHR standard operating procedures, decreased fees for select services in new vendor contracts effective January 1, 2016, and savings derived from full settlement and closure of many older claims in FY 16 and FY 17 which generated substantial annual costs for indemnity and ongoing medical treatment including prescription drugs.

Several agencies and universities have implemented or are currently in the process of implementing extensive Return To Work programs. In addition, some agencies are now making concerted efforts to settle claims as soon as practicable recognizing opportunities for considerable potential claim cost savings by settling now versus paying benefits for many years into the future.

## Total Claim Settlement Costs FY13-FY17

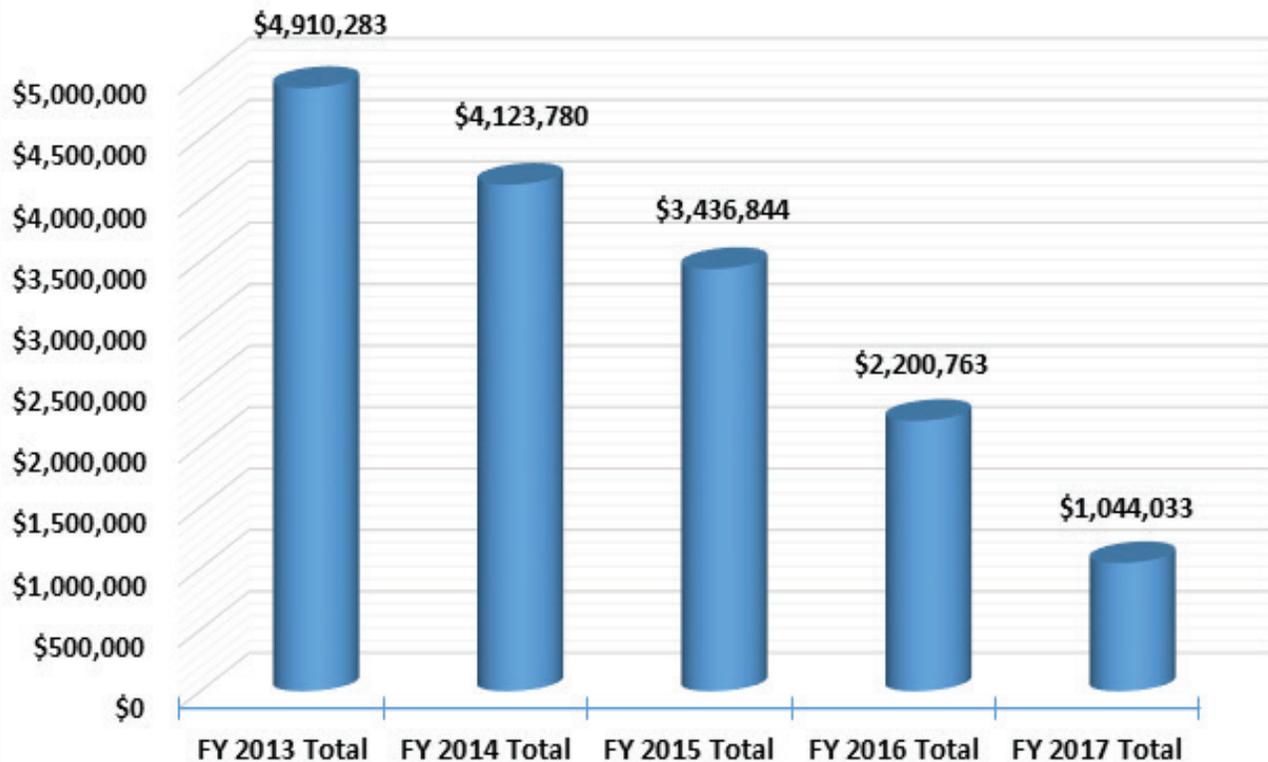


The approximately **103%** increase in the number of final claim settlements between FY15 (191) and FY17 (387) has resulted in tremendous increases in projected future cost avoidance for the SWCP. More specifically from FY15 to FY17, state agencies increased settlement expenditures by approximately **218%** percent with an approximate **1,572%** percent increase in projected future cost avoidance as detailed below.

	Number of Settlements	Settlement Costs	Cost Avoidance
<b>FY 2015</b>	191	\$7,150,009	5,712,632
	Number of Settlements	Settlement Costs	Projected Future Cost Avoidance
<b>FY 2016</b>	352	\$18,788,444	\$66,207,101
	Number of Settlements	Settlement Costs	Projected Future Cost Avoidance
<b>FY 2017</b>	<b>387</b>	<b>\$22,712,335</b>	<b>\$95,506,329</b>

SHWC staff assists state agencies with identifying of claim settlement opportunities on an ongoing basis. SHWC continues educating agencies regarding the high future cost-avoidance potential associated with settling certain claims, especially those with high projected future indemnity and low projected future medical costs.

## Salary Continuation Payments per NCGS §143-166.14 FY13-FY17

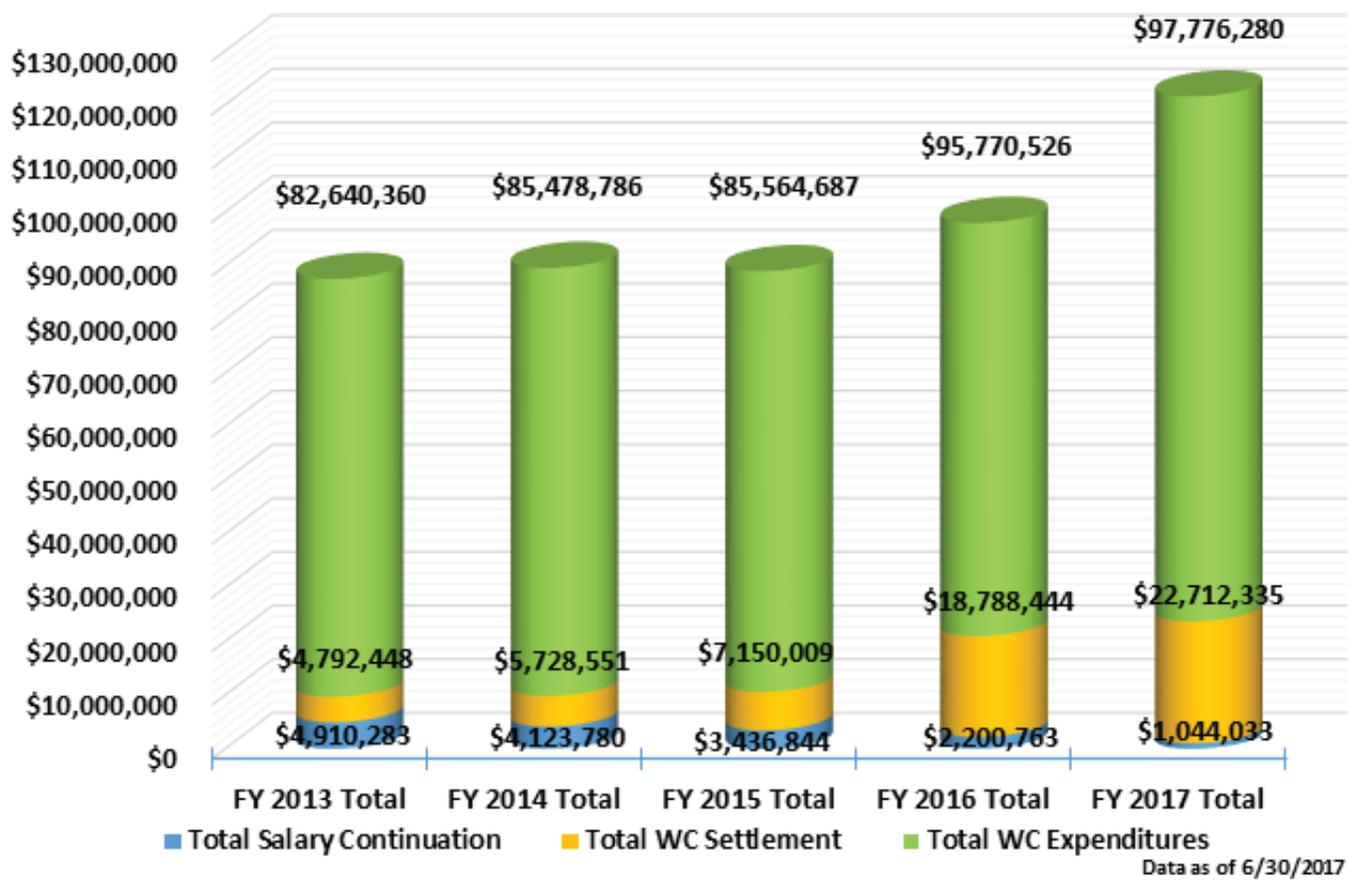


Data as of 6/30/2017

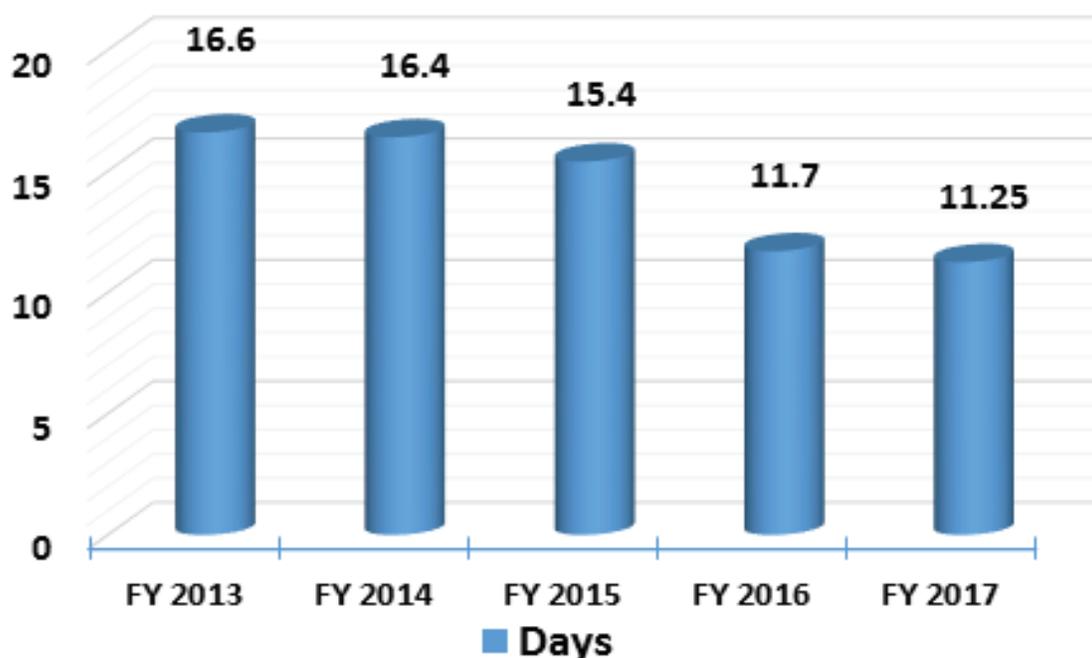
### ***Salary Continuation Payments Steadily Declining \$3,866,250 Reduction Since 2013***

Salary continuation payments have steadily declined since enacting amendments in S.L. 2014-100 effective October 1, 2014. This statutory change limited salary continuation eligibility to specific types of injuries. Further clarifications became effective September 18, 2015, that provided such benefits are available only when the injured employee's inability to work is a result of an injury or injuries resulting from or arising out of an episode of violence, resistance, or due to other special hazards that occur while the eligible person is performing official duties. (S.L. 2015-241) In addition, the amount of salary continuation payments are now statutorily limited to the eligible person's base pay which has also reduced overall salary continuation costs (S.L. 2015-241). This overall decrease in salary continuation payments translates into an increase in regular workers' compensation indemnity payments as persons previously eligible are now limited to receiving the statutory 66 2/3 percent of average weekly wages temporary total disability benefits for lost time from work. S.L. 2017-57 includes an amendment ensuring that salary continuation payments will be ceased or reduced if an employee returns to work elsewhere while work restrictions related to the compensable injury cannot be accommodated by the employing agency.

## Total Expenditures, Settlements and Salary Continuation FY13-FY17



## Claim Reporting Lag Time Average Days from Date of Injury Until Injury Report Is Complete

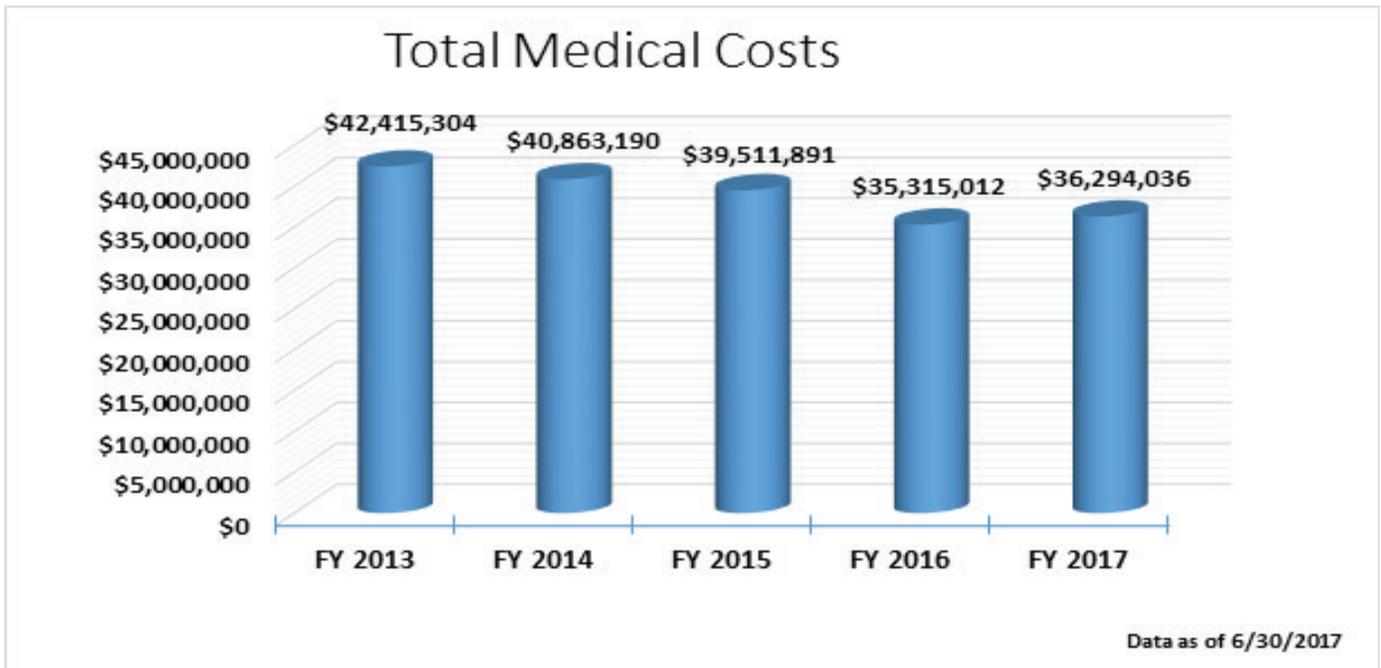


NOTE: FY2013-FY2015: 13% Reduction of Workplace Injuries  
NOTE: FY2013-FY2016: 16% Reduction of Workplace Injuries

Data as of 6/30/2017

### ***Claims Reporting Lag Time Decreased Significantly FY 2013-2017: 32% Percent Reduction Since 2013***

Claim reporting lag time for all state agencies has decreased approximately **32%** percent from FY 2013 to FY 2017. This indicates state employees and supervisors are reporting workplace injuries more quickly which enables better claims handling and management immediately following an injury. Earlier claim reporting empowers the State's third party administrator, CorVel, to more quickly investigate injury reports, make compensability determinations, and ensure all injured employees receive necessary, prompt medical treatment for their work-related condition. This promotes faster healing, expedited return-to-work, and total claim cost containment.



## *Medical Costs*

Total medical costs includes hospital and outpatient treatment, physician visits, prescription drugs, case management, and Medicare Set Aside (MSA) payments required to settle claims. The slight increase from FY 2016 to FY 2017 is attributable to the following:

- 1) Payments for medical treatment associated with one catastrophic claim totaling **\$1,891,563** in FY 2017 alone.
- 2) Medicare Set Aside (MSA) payments required for claim settlements increased from **\$439,925** in FY 2016 to **\$1,676,805** in FY 2017

Overall, medical costs associated with SWCP claims are steadily decreasing due to the revised NCIC Medical Fee Schedule which includes lower reimbursement rates for some treatment, prescription drug savings resulting from the new vendor contract effective October 1, 2016, and decrease in overall claims volume and duration aided by the sharp increase in final settlement of claims involving extensive ongoing medical treatment in FY 2016 and FY 2017.

## ***\$2 Million Settlement Reserve Fund Allocation Process Administered by OSHR***

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The Appropriations Act of 2015 set aside \$2 million for “the closure of existing workers’ compensation claims.” (S.L. 2015-241). OSHR, in conjunction with OSBM and the Office of State Controller, has developed a detailed administrative process for the allocation of these funds, with the goal of settling claims that will result in the greatest potential future cost savings.

The Appropriations Act of 2015 also designated specific unspent funds originally appropriated for use in FY 2016 to be transferred to OSHR for use in settling workers’ compensation claims in FY 2017. As a result, funds totaling \$4,389,797 were available for OSHR to allocate to state agencies and universities to assist in claims settlements during FY 2017.

All state agencies and universities are eligible to apply for settlement funds on an individual, per claim basis. OSHR engaged in weekly meetings to assess each Settlement Reserve Funds application individually and determine if any funds should be provided for claim settlement. Below is the status of applications received and Settlement Reserve funds approved by OSHR as of June 30, 2017.

### ***FY 2016 Funds - \$2,000,000 availability***

Total applications received	<b>145</b>
Number of claims allocated Settlement Reserve Funds with approved settlements as of June 30, 2017	<b>55</b>
Total FY 2016 funds utilized	<b>\$2,000,000</b>
Total dollar cost of settlements for 55 settled claims with approved settlements	<b>\$5,573,458</b>
Total projected future cost avoidance associated with these 55 approved settlements	<b>\$37,530,971</b>

### ***FY 2017 Funds - \$4,389,797 availability: Data as of June 30, 2017***

Total applications received	<b>237</b>
Number of claims allocated Settlement Reserve Funds with approved settlements	<b>89</b>
Total FY 2017 funds utilized	<b>\$3,107,000</b>
Total dollar cost of settlements for 89 claims with approved settlements	<b>\$9,422,175</b>
Total projected future cost avoidance associated with these 89 approved settlements	<b>\$51,898,509</b>

OSHR's decision-making process for distributing these funds includes, at a minimum, assessment of the following factors and any other pertinent information to determine the potential future cost savings that would result from the settlement of an individual claim:

- a. Employee's age and statutory life expectancy, based upon NCGS §8-46
- b. Number of workers' compensation claims filed by the employee while employed by the state
- c. Employee's pre-injury position title and job description
- d. Employee's average weekly wage, weekly compensation rate, and whether injury qualified for salary continuation benefits
- e. Length of employee's entitlement to ongoing workers' compensation disability benefits (if claim is not settled)
- f. Documented efforts to return the employee to work
- g. Employee's return-to-work potential
- h. Employee's current medical condition related to the workers' compensation claim
- i. Employee's comorbidities (i.e., presence of one or more diseases or disorders co-occurring with a primary disease or disorder) or other medical conditions unrelated to the workers' compensation claim, if applicable
- j. Employee's projected future medical treatment related to the workers' compensation claim
- k. Whether the claim settlement includes the employee's resignation, if still employed with the State
- l. Whether the employee is retired
- m. Whether the employee is eligible for or receiving Long-Term Disability benefits
- n. Whether the employee is currently receiving, has applied for, is appealing a denial, or plans to apply for Social Security Disability (SSDI) benefits in the near future
- o. Whether Medicare Set Aside Agreement (MSA) will be required and dollar amount to be included in the claim settlement, if already calculated
- p. Prior Industrial Commission Orders, Opinions and Awards, Consent Agreements, or Consent Orders on record for the claim
- q. Pending litigation and issues to be determined included on the Industrial Commission Form 33 Request for Hearing and/or Form 33R Response to Request for Hearing
- r. Projected future litigation
- s. Total dollar amount of expenditures already paid for the claim, including breakdown into separate amounts spent for indemnity, medical, and allocated expense costs
- t. Total dollar amount of current claim reserves, including breakdown into separate amounts projected to be paid for future indemnity, medical, and allocated expenses
- u. Projected total dollar amount of lifetime exposure for all potential future costs related to claim
- v. Name of employee's attorney and whether the attorney is currently receiving an on going attorney's fee

OSHR receives the above data from the following sources: agency application forms, current claim settlement evaluation prepared by the state's third party administrator, CorVel, and Attorney General's Settlement Approval Memo for all claims with settlements projected to exceed \$74,999.99. OSHR also requests additional information from the agency or consults the claim file when needed to fully complete an individual claim assessment.

## ***Technical Assistance to Agency/University Workers' Compensation Administrators***

OSHR's State Workers' Compensation Manager and Workers' Compensation Consultants are assigned to individual state agencies and universities and engage in the following activities to ensure the State's Workplace Requirements in NCGS §§143-582 through 143-584 are being achieved for workers' compensation.

The SHWC Division's Safety Director, Safety and Health Manager, and State Safety Consultant provide ongoing consultation and assistance to all state agencies/universities to ensure the State's Workplace Requirements in NCGS §§143-582 through 143-584 are being achieved for safety and health. The SHWC Division's Workers' Compensation staff provides the following services:



- a. Serve as an information resource for agency workers' compensation administrator and vendor inquiries
- b. Communicate with contracted vendors, Department of Justice-Workers' Compensation Division, and others regarding claims management issues
- c. Engage in internal communication to ensure safety and workers' compensation staff are meeting the State's Workplace Requirements

## ***Cost Containment***

OSHR communicates with state agencies and vendors to promote overall claim cost containment by:

- a. Reviewing open claims for cost-containment potential fraud, abuse, compliance with claims management standards, when closure is appropriate, etc.
- b. Working directly with vendors to ensure contract compliance and improve performance.
- c. Providing agencies with quarterly performance metrics to analyze their individual performance.



## ***Return-to-Work Program Implementation***

Throughout FY 2016 and FY 2017, OSHR’s Workers’ Compensation Consultants have focused on ensuring each agency and university has a comprehensive and fully-implemented Return-to-Work Program. Agencies and universities are currently at varying stages of adoption of such programs.

Comprehensive Return-to-Work programs should be maintained in each agency to instill a “Return-to-Work Culture” in employees, supervisors, and management.

Major Agency and University Return-to-Work Program goals are as follows:

1. Maintain a continuously updated list of light/modified duty and “make work” available for injured employees assigned temporary work restrictions who have not yet reached maximum medical improvement (MMI) for their injury.
2. Detailed post MMI planning, including potential job accommodations, a labor market survey, and/or vocational rehabilitation, to begin immediately when an agency learns an injured employee will likely be issued permanent work restrictions related to their injury upon reaching maximum medical improvement.
3. Educating all employees, supervisors, managers, and human resources personnel regarding return-to-work expectations.
4. Measuring and assessing the effectiveness and cost savings resulting from the agency and university Return-to-Work Program.

## ***Ongoing Education/Training***

OSHR’s State Workers’ Compensation Manager and Workers’ Compensation Consultants have conducted interactive, experiential learning-based workers’ compensation training sessions statewide for approximately 435 state employees during FY 2016 and FY 2017. This training program, Managing Your Claims: Part 1, covered the following topics critical to compliance with NCGS §§143-582 through 143-584:

1. Initial Injury Handling and Reporting
2. Incident Investigations
3. Claim Acceptance and Denial Decisions
4. Return-to-Work
5. Workers’ Compensation Benefits, Leave, and Effect on Other Benefits
6. Claims Monitoring
7. Detecting Fraud and Abuse
8. Close Claims Timely and Fairly
9. Recording Workers’ Compensation Actions in BEACON
10. Performance Measures



This class was created for workers' compensation administrators, supervisors, managers, safety, and other human resources staff that regularly report or manage workers' compensation claims to provide them with claims handling laws, procedures, and best practices. OSHR plans to provide this training at least twice yearly to all new hires and others in need of this training.

The SHWC Division is partnering with the NC Department of Justice Workers' Compensation Section, and DHHS and DPS workers' compensation legal counsels to provide detailed training on preferred claims handling practices and litigation handling to all CorVel adjusters and primary agency workers' compensation administrators in September 2017.

In addition, the OSHR Workers' Compensation webpage, [www.workerscomp.nc.gov](http://www.workerscomp.nc.gov), is being relaunched and will include many new and revised checklists, job aids, and other resources for injured employees and workers' compensation administration. Some highlights are as follows:

1. Standard Operating Procedures: a series of detailed instructions for handling situations that commonly arise in the course of claim handling that specifically state the roles and responsibilities of the injured employee, employing agency, third party administrator, Attorney General's office, etc.
2. Return-to-Work Program Implementation Guide: a how-to guide for each agency to implement a customized return-to-work program to ensure injured employees return to work once released to do so by their authorized treating medical provider
3. Business Process Charts: a series of step-by-step charts detailing basic claim handling processes such as reporting claims, return-to-work, claim settlement, etc.

The BEACON LMS system also includes resources in the HR Learning Zones to assist employees, supervisors, managers, and Human Resources staff with claims reporting, investigation, and management.

## ***Conclusion***

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OSHR will continue utilizing available resources to ensure Safety, Health and Workers' Compensation program requirements are achieved as described in this report. OSHR is working in partnership with vendors and all state agencies and universities to ensure program goals are met while simultaneously lowering claim costs and improving claim outcomes.

The Workers' Compensation Settlement Reserve Fund is aiding agencies with closure of open workers' compensation claims resulting in decreases in overall claim costs and tremendous increases in anticipated future cost avoidance.

OSHR looks forward to providing ongoing guidance and direction in coordinating these efforts with all state agencies and universities by overseeing program implementation, tracking accountability via performance measures, and providing training opportunities and online resources for employees at all levels.