

## MEMO

To: WC Stakeholders

Fr:

Re: WC Reorganization

Date: January 15, 2015

On Monday, January 12, 2015, I learned that the Governor will include a proposal in his 2015-17 budget bill to remove the Division of Worker's Compensation from the Department of Workforce Development. While details are fairly sketchy, there are two scenarios that are being discussed.

1. Reassignment of the three WC Bureaus to the Office of the Commissioner of Insurance (OCI).
  - a. At this time, OCI does not have the space to house the WC staff, so we would remain at the DWD building until other accommodations materialize.
  - b. I have been told the a new government complex is scheduled to be built at Hill Farms off of University Avenue in Madison and that is where many agencies will be located in 2017. Some ambiguity exists with respect to this situation, as the Legislature is attempting to block construction of this complex.
2. Separation of the three Bureaus with reassignments as follows:
  - a. Bureau of Insurance moved to OCI.
  - b. ALJs moved to the Division of Hearings and Appeals (DHA) at the Department of Administration (DOA). No information is known as to whether the move to DHA will include court reporters, scheduling staff, health cost dispute staff and administrative assistants who make up the remainder of the Bureau of Legal Services.
  - c. Bureau of Claims Management (including the mail/file room staff, ADR staff, computations staff, data entry staff and wage analysts) may or may not be retained as part of the WC program. DHA does not want this Bureau as its function is regulatory, not administrative adjudication and OCI does not appear to want this Bureau either.

My understanding of the plan is that #2 is more palatable at this time. DOA has long wanted to consolidate all of the ALJs within State service into DHA. I took the liberty of investigating some of the processes and procedures at DHA and it seems clear to me that the WC adjudication system is not in sync with how DHA runs its operations.

3. The following changes are being discussed in conjunction with option #2 and the ALJs:
  - a. Discontinuation of the Duty Judge position. ALJs will no longer be performing administrative work, such as answering telephone calls from stakeholders, reviewing general mailings, addressing impleader requests and assisting with the informal resolution of issues like unattended IMEs and the like.
  - b. As the Duty Judge, an ALJ can easily receive more than 50 telephone calls in one week. The callers are provided with a service that is far beyond what other worker's compensation systems offer.
  - c. ALJ duties will consist solely of holding hearings.
  - d. Elimination of managerial positions, such as the Bureau Director of WC.
  - e. Removal of ALJ oversight/approval of compromise agreements.
  - f. Removal of the statutory requirement that an order be issued approving compromise agreements.
  - g. Elimination of the statutory requirement for restricted accounts. This will also eliminate the need for advancements. This will result in a substantial deviation from the culture of WC as an income replacement program.
  - h. Elimination of the requirement that court reporters be used to create an official record of the proceedings.
  - i. Elimination of remote hearing locations. This will supposedly save money. It may result in hearings being held only in Milwaukee and Madison. This would require extensive travel for many of WC stakeholders.
  - j. Potential elimination of formal settlement conferences.
  - k. Reduction of the number of WC ALJs by 50%. With no administrative duties, more hearings can be held by a lesser number of ALJs.
  - l. Health Cost Dispute specialists handle section 102.16 claims.
4. Elimination of the Bureau of Claims Management. Here are some examples of the duties of this unit:
  - a. Audit staff generates PPD worksheets which in turn triggers the initiation of PPD payments to the injured worker.
  - b. Alternative Dispute Resolution (ADR) specialists assist unrepresented employees and insurance carriers/attorneys in resolving claims short of hearing.

- c. ADR specialists review x-rays to assess the bone loss in amputation injuries.
  - d. ADR specialists handle several hundred telephone calls per week from stakeholders in the WC program.
  - e. Computations unit provides PTD calculations to stakeholders.
  - f. The wage analysts provide assistance to stakeholders in determining an accurate AWW calculation. These staff members also respond to hundreds of inquiries per year regarding that status of employees for the purposes of expanded wages, overtime, part-time classifications and the like.
  - g. Data entry staff ensures that claims are properly entered onto the claims management system.
  - h. The file/mail room staff assures that files are kept in a central location and that these files are accurately disseminated to the various units.
  - i. Optical Imaging staff ensures that all of the WC staff can readily access pertinent documents on the claims management system without the need to pull a paper file every time a telephone call is made to WC.
5. The cost of the reorganization is substantial and it will also result in substantial financial losses to DWD.
- a. The cost of shifting WC technology and personnel to other agencies is estimated to be in excess of \$1,000,000.00. The human resources software will require that all employees be reassigned to their new agencies for the purposes of payroll, time, attendance, wages and benefits.
  - b. At the current time, no alternative space is available for WC, so the agency will remain at DWD in the same location for an unknown period of time. The cost of shifting positions to other agencies and then requiring WC to stay in the DWD building appears to be a waste of precious resources.
  - c. WC (a program revenue funded agency) contributes over \$1,000,000.00 per year to the IT budget of DWD. This money will not be available to DWD if WC is reorganized.
  - d. WC pays in excess of \$500,000.00 per year for the space it occupies at DWD. This money will not be available to DWD if WC is moved to another facility.
  - e. WC pays for a portion of the human resources and administrative services units at DWD. These monies will not be available to DWD if WC is reorganized.

In the final analysis, Wisconsin has a superior WC system. No credible explanation has been given as to why a Division that is wholly program revenue funded should be targeted for drastic changes that will clearly have a negative impact on our stakeholders.