

12-15-1997

# Workers' Compensation Board Business Assessment: Executive Summary

Coopers & Lybrand Consulting

Maine Workers' Compensation Board

Follow this and additional works at: [http://digitalmaine.com/wcb\\_docs](http://digitalmaine.com/wcb_docs)

---

## Recommended Citation

Coopers & Lybrand Consulting and Maine Workers' Compensation Board, "Workers' Compensation Board Business Assessment: Executive Summary" (1997). *Workers' Compensation Board Documents*. Paper 68.  
[http://digitalmaine.com/wcb\\_docs/68](http://digitalmaine.com/wcb_docs/68)

This Text is brought to you for free and open access by the State Documents at Maine State Documents. It has been accepted for inclusion in Workers' Compensation Board Documents by an authorized administrator of Maine State Documents. For more information, please contact [statedocs@maine.gov](mailto:statedocs@maine.gov).

---

**Workers' Compensation Board**  
**Business Assessment**  
**Executive Summary**

**TABLE OF CONTENTS**

- I. Objective
- II. Our Approach
- III. Findings & Recommendations
- IV. Implementation Plan
- V. Best Practices



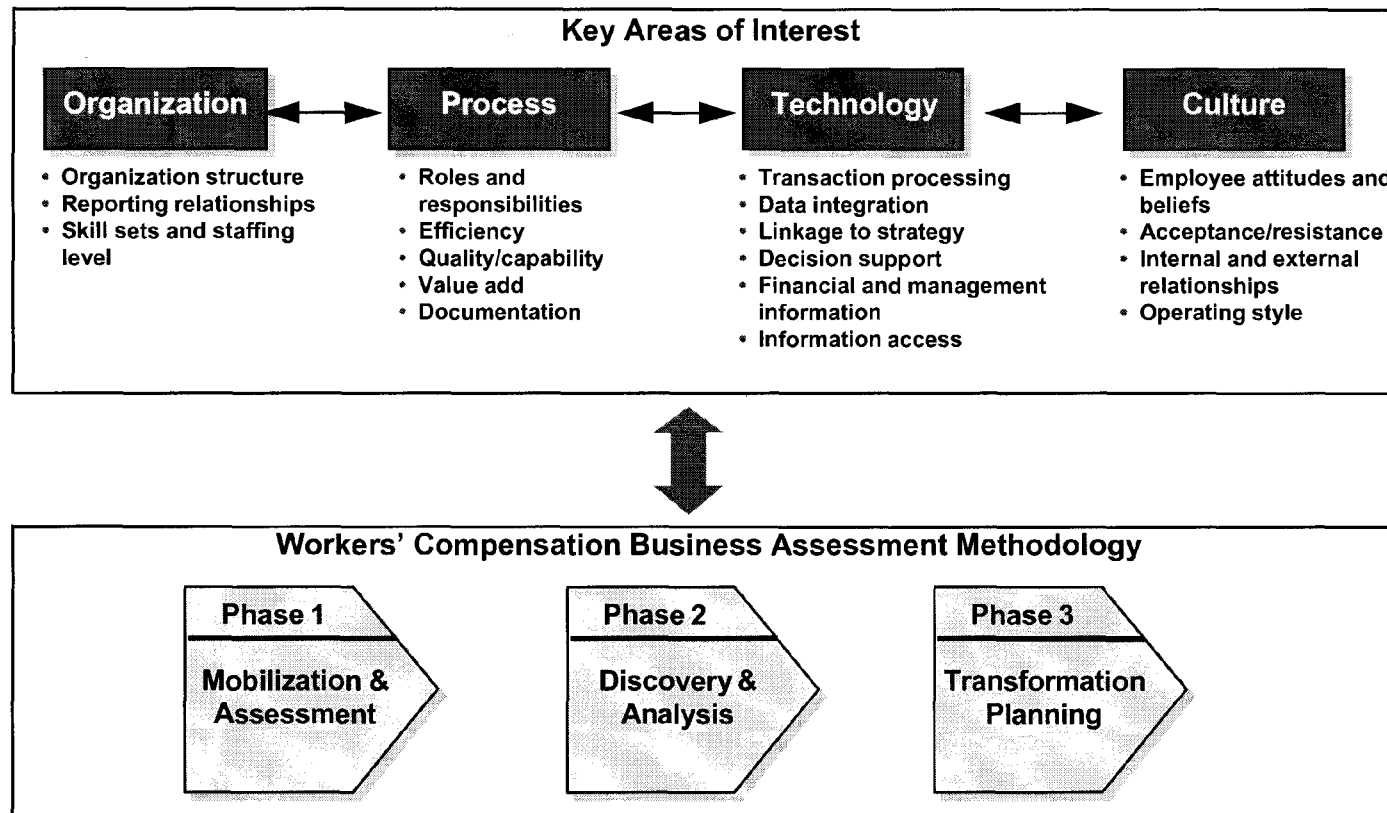
## **Workers' Compensation Board Mission Statement**

“The Board’s mission is to *serve the employees and employers of the State fairly and expeditiously* by ensuring compliance with the workers’ compensation laws, ensuring the prompt delivery of benefits legally due, promoting the prevention of disputes, utilizing dispute resolution to reduce litigation and facilitating labor-management cooperation.”

**Coopers and Lybrand was engaged to conduct an assessment of the business operations of the Workers’ Compensation Board to identify opportunities for improvement and to align the activities of the workers’ compensation system with the mission of the agency, as defined in PL486.**

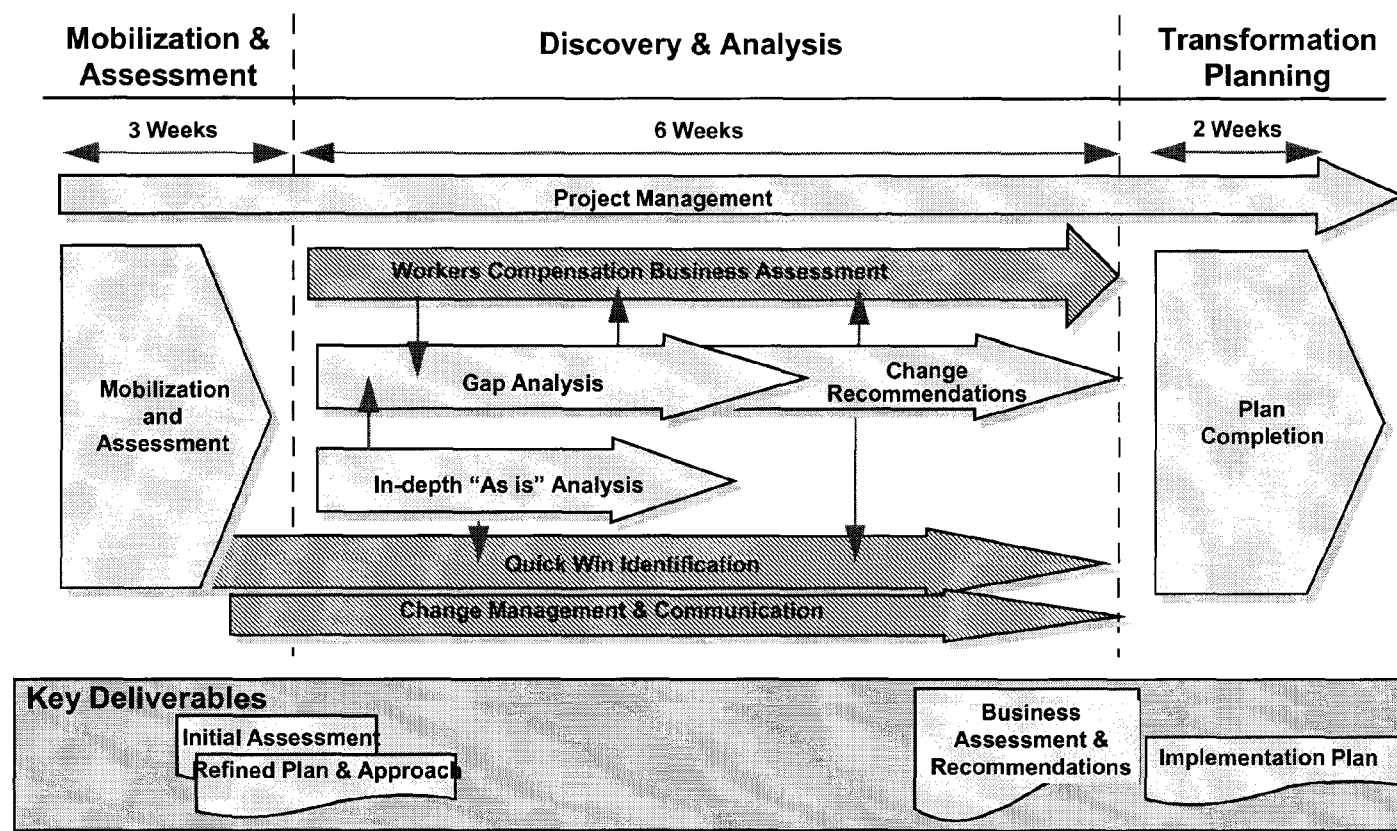


The study focused on four key areas of interest: Organization, Process, Technology, and Culture. A comprehensive, three phase analytical approach was used to conduct the business assessment and develop recommendations for change.



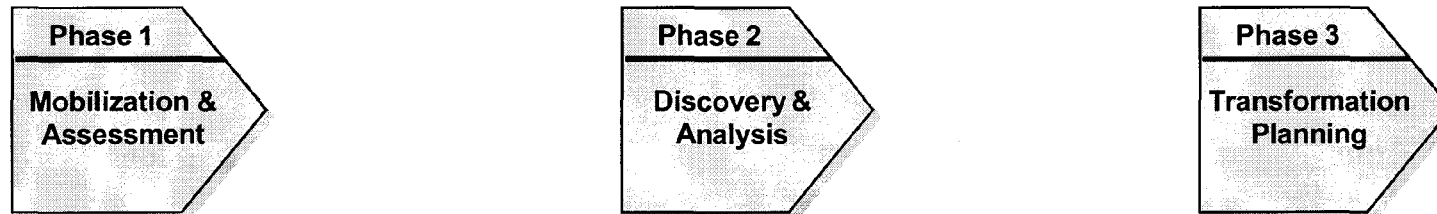


Our approach began with an assessment of the current environment to provide project focus and direction; created a detailed understanding of requirement gaps and options; validated the resulting workers' compensation business assessment with the various stakeholders; developed recommendations for change; and provided an implementation plan for the activities needed to implement the recommendations.





**Workers' Compensation Business Assessment Methodology**



**Objectives**

To rapidly compare the Workers' Compensation mission with current functions and systems to establish the focus for in-depth analysis in the next phase. To develop an initial assessment of the agency's readiness for change.

To analyze the "as-is" workflow, business interactions and information usage, identify areas of improvement and to develop a set of recommendations in the areas of organization, process, technology and culture.

To develop an implementation plan for the changes and actions required to implement the recommendations identified in the Discovery & Analysis Phase. This deliverable becomes the "blueprint for change" to fully implement the mission of the agency.

**Approach**

The approach included interviews with insurers, employers, stakeholders, and the agency's management team and staff. A Cultural Assessment Survey was conducted and a communication plan was developed and initiated to keep the agency staff informed of the project progress.

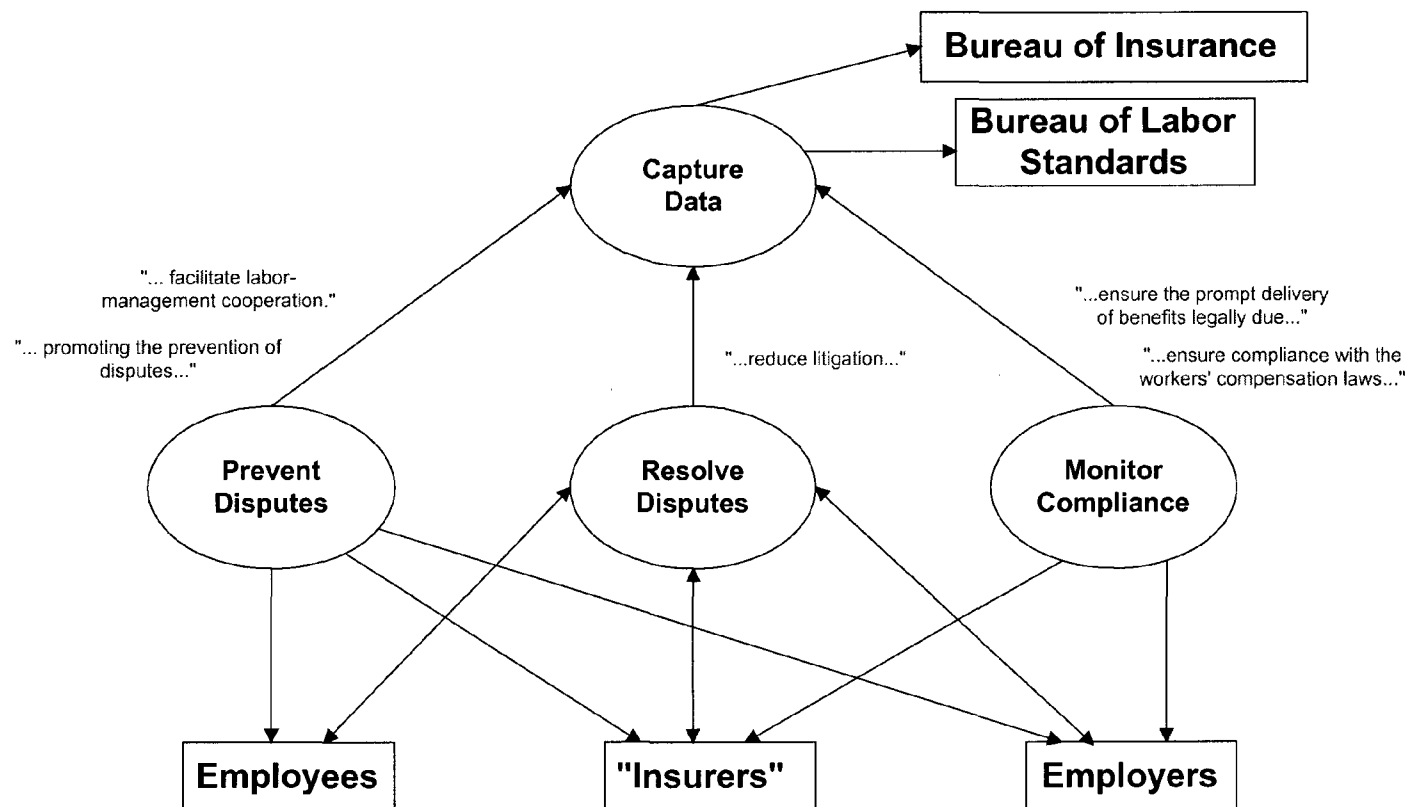
The approach included facilitated workshops, interviews with injured workers, insurers and employers, and the collection and overlay of best practices observed in workers' compensation systems of other states.

The approach included work sessions with the senior staff of the Workers' Compensation Board and others to gather the information needed to develop detailed profiles for each of the projects required to implement the recommendations made in the Discovery & Analysis Phase.

**The Business Assessment project followed a systematic, three phase process with specific objectives, approach, and deliverables for each phase.**



"...serve the employees and employers of the State fairly and expeditiously.."



The in-depth business process analysis focused on the activities which directly support the mission of the Workers' Compensation Board - Dispute Prevention, Compliance Monitoring, and Dispute Resolution.



**The following findings summarize the key areas for improvement and indicate where significant change and investment is required to address the current inefficiencies of the workers' compensation system. The following pages list the recommendations for change identified in each of the four areas of interest.**

|              |   |
|--------------|---|
| Organization | The Board is too involved in day-to-day managerial topics and must focus on policy and legislative responsibilities. The agency must focus on its core competencies and outsource where appropriate.                                    |
| Culture      | Politics within the organization inhibit employees from doing their best, doing what is "right," and implementing The Act. An environment that fosters trust and employee empowerment must be created.                                  |
| Process      | 70% of all work activities focus on an inefficient and largely manual resolution process. The resolution process must be totally redesigned and the organization must place its emphasis on dispute prevention and compliance programs. |
| Technology   | The existing technical architecture and systems do not meet the needs of the agency, its customers or constituents. They are not a foundation for the future, and must be replaced.   |





## "ORGANIZATION" RECOMMENDATIONS

- Let the Executive Director manage the day-to-day tactical activities of the agency. The Board must focus on policy making and legislative matters.
- Outsource those functions where <sup>an organization's</sup> a vendor's unique expertise and/or independence is vital.
  - *These include the technical infrastructure, business systems, data analysis, and auditing functions.*
- Implement a "SCORE CARD" system that highlights the organization's goals and progress in order to enhance decision making and to focus tactical priorities.
  - *Measuring and publishing operating effectiveness ratios, customer satisfaction results and other metrics is a characteristic of high performing organizations.*

**Organizational performance and results must be increased by assigning accountability, focusing on core competencies, and taking action on key measurements.**

By agreement, we are not commenting on the statutory structure of the Board



## **“CULTURE” RECOMMENDATIONS**

- Create a sense of urgency at all functional levels throughout the Workers' Compensation Board and its Board of Directors.
  - *For example, appropriate attention has not been given to the collection of data on injuries in order to implement Subsection 213.*
- Empower the staff of the Workers' Compensation Board to enforce compliance, impose penalties, and create incentives to comply.
- Communicate... communicate... communicate.... with Workers' Compensation Board employees, injured workers, employers, insurers, the public, and other constituents.
  - *Employees often hear about Board decisions through external sources.*

**The energy within the Workers' Compensation Board must be channeled and employees empowered to do their jobs.**



## “PROCESS” RECOMMENDATIONS

- Shift focus and resources incrementally to Dispute Prevention and Compliance.
  - *Approximately 70% of the organization's human and financial resources are spent on dispute resolution.*
- Speed up the dispute resolution processes by removing large areas of “wait” time.
  - *The current process - from troubleshooting through hearing - averages 19 months, 2 months of which represent actual work time.*
- Capture the right information, at the right time, accurately, and only once.
  - *Information captured at troubleshooting is later recaptured at the beginning of the hearing process.*
  - *Data anomalies, like year “1197” and RTW dates before injury dates, are not uncommon.*
- Adopt EDI as the primary data collection mechanism. *“With Standards”*

*BPR*

**A total business process re-engineering effort must take place to break the dispute resolution grip, and the rally point must become “educate first, penalize second”.**

*pre-knowledge*



## **“TECHNOLOGY” RECOMMENDATIONS**

- Stop all investment/enhancement activities in the current system and redirect business and information system resources to acquire a new system which supports the Workers' Compensation Board and its customers.
- Integrate the development, support and operation of the business information systems with the Department of Labor.
- Outsource the technical infrastructure support functions to the Bureau of Information Services.
  - *These specialized activities are best managed and delivered from a central function.*
- Standardize all technical solutions, hardware and desktops to the State of Maine standards.
  - *There is no compelling business reason to deviate from state e-mail, desktop and other technology standards.*
- Establish a Business Analyst function at the Workers' Compensation Board to liaison between the agency and the shared service environment. *A.T.C.*

**A significant increase and realignment of resources is needed to create a technology environment that supports the needs of all stakeholders.**



## **Implementation Plan . . . . a “Blueprint for Change”**

From the recommendations for change, the Workers' Compensation Board management team and Coopers & Lybrand defined the work initiatives needed to implement the recommendations, resulting in a high level profile of each project. The project profiles describe the project, its owner, benefits, deliverables, assumptions, risks, constraints, and an effort estimate. Project effort estimates are preliminary, do not reflect the time constraints of the other responsibilities of each project member, and should be refined as further information is gathered. It is recommended that the project members begin each project with a “Plan the Project” task in which detailed scoping and estimating of the project is performed.

The inter-dependencies of the projects were defined to help in development of the implementation plan project sequence and priority. The Implementation Plan becomes the long term “blueprint for change” to improve the efficiency and effectiveness of the workers' compensation system. The majority of the work performed in each of these projects can be accomplished with existing WCB resources, however, there are certain activities which could be enhanced or jump started with the appropriate use of supplemental external resources. The Implementation Plan is a first draft and as such is a living document which is subject to change as new information and priorities come to light.

**Recommendations for change have been transformed into 20 discrete projects, scheduled over a two year timeframe in the Implementation Plan.**



## **Critical Success Factors**

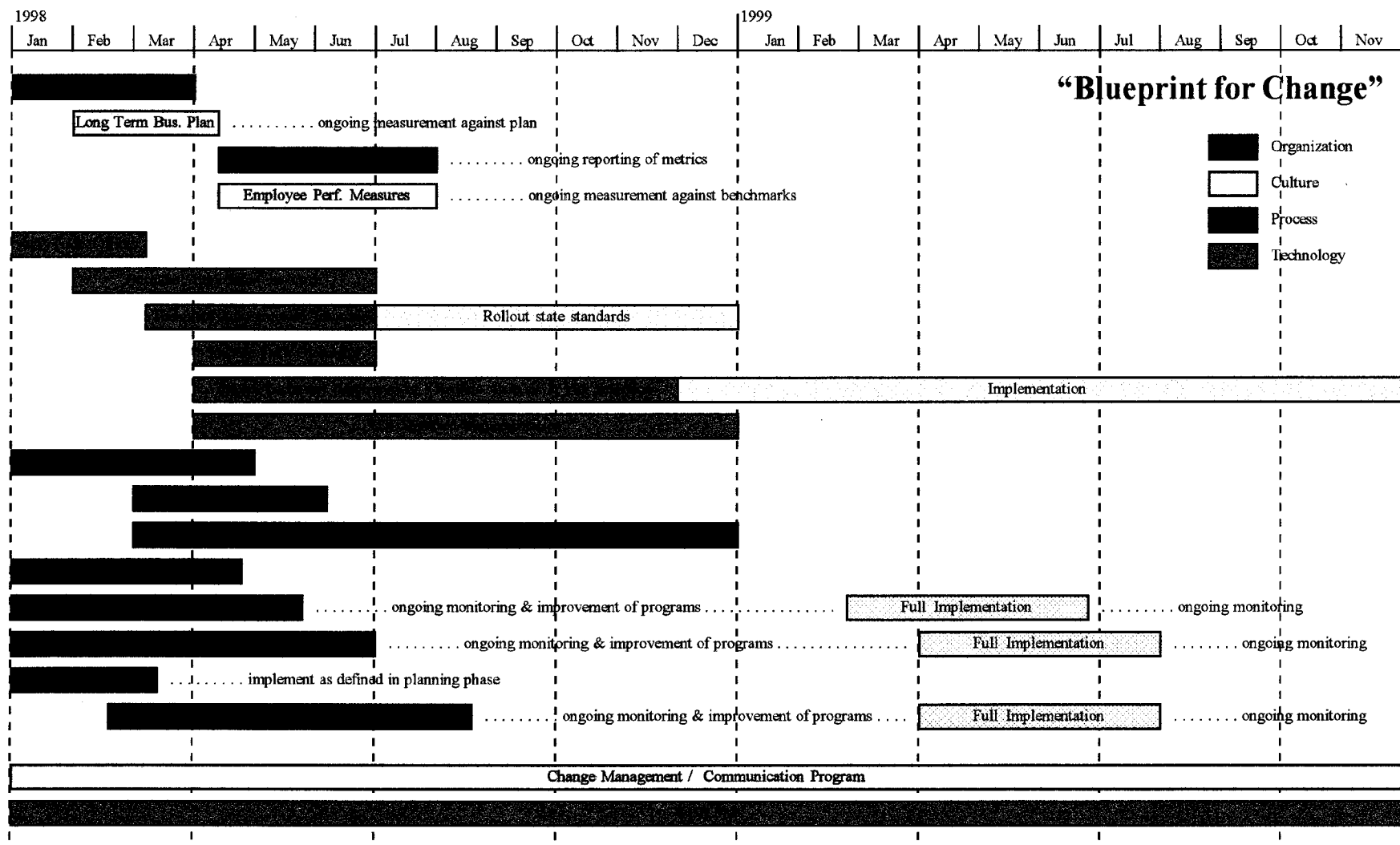
1. The Workers' Compensation Board staff and Board of Directors are focused and committed to the implementation of the recommended projects for the duration of the plan.
2. Adequate funding and planned reallocation of resources are provided at the appropriate intervals.
3. The agency staff and Board of Directors observe a structured process with a long term focus, and not allow short term priorities or crisis to supersede the long term efforts.

**Three fundamental conditions are necessary for the successful implementation of the Implementation Plan.**



## Workers' Compensation Board

## Executive Summary Implementation Plan





**Each project focuses on one aspect of the entire effort to build an efficient and effective workers' compensation system for the State of Maine.**

## **“Organization” Projects**

**Board & Executive Director Role Definition** - develop recommendations for delineation of the responsibilities and authority of the Executive Director and Board of Directors of the Workers' Compensation agency.

**WCB Score Card** - implement an organizational score card that highlights the agency's goals and progress in order to enhance decision making and to focus tactical priorities.

**Contract Hearing Officers** - evaluate the need for and develop a process for contracting Hearing Officers to reduce the current backlog; develop a profile of Hearing Officers to use in the search process, determine their compensation, and develop a training program.

## **“Culture” Projects**

**Long Term Business Plan** - develop a long term business plan with measurable goals which is reviewed and revised on an annual basis. The plan will be used to develop agendas and focus activities with regular measuring of progress against plan.

**Change Management/Communication Program** - define and develop the communication mechanisms to involve employees of the agency in the change process, and to disseminate information to WCB employees, injured workers, employers, insurers, the public, and other constituents.

**Employee Performance Measures** - develop, collect, and report on employee performance measures which will be relevant to their responsibilities, within their control to effect, and will encourage the desired result.





## **“Process” Projects**

**Streamlined Dispute Resolution Process** - develop recommendations for changing the dispute resolution process to be more responsive. Recommendations may include draft proposals for legislative change.

**CSR (Customer Service Representative) Model** - develop scripted material for general information questions to be used by all agency employees when answering questions from constituents.

**Dispute Prevention Program** - plan, develop and implement a comprehensive dispute prevention program to include dispute analysis, injury prevention, educational programs, a return to work program, compliance, and improved communications.

**Compliance Program** - plan, develop and implement a comprehensive compliance monitoring program to include forms monitoring, insurance coverage monitoring, education monitoring, formal audit program, enforcement, and compliance analysis.

**External Auditors** - define the role of the external auditor and develop a plan for the implementation of their role in the overall audit function.

**Enforce Compliance** - develop parameters, scripts, an educational program for delivery to the insurance community, a training program for internal training, and a rollout plan for implementation of compliance enforcement measures within the agency.

**Redistribute Hearing Officer Workload** - evaluate the current workload of each Hearing Officer and make a more equitable distribution of the total workload across all Hearing Officers.



## **“Technology” Projects**

**Agency Technology Officer** - establish and hire a new, high level Agency Technology Officer position in the agency. This person will be responsible for and oversee all technical projects within the agency.

**Technical Infrastructure Insourcing** - transition the technical infrastructure of the agency (network, desktop, and server operations) to the Bureau of Information Services. All technical solutions, current and future, within the agency will be standardized to the State of Maine standards (desktop suite, e-mail, future database and development tools).

**Business Application Insourcing** - transition the current system to the shared service environment (e.g. Office of Information Processing, Department of Labor)

**Interim Data Cleansing & Analysis** - define and prioritize the data cleansing and analysis needs which can be outsourced on an interim basis until the new business application is in place.

**EDI Standard Implementation** - develop an implementation plan for adopting the IAIABC EDI standard over a period of time and requiring insurers to submit required forms via EDI.

**Future Technical Environment** - design and implement the new business applications to support the Workers' Compensation Central and Regional offices.

**WEB Site** - design and incrementally implement the WEB site for the Workers' Compensation Board.



## **Best Practices**

Research and analysis of the workers' compensation models of other states was conducted to identify the programs and activities which provided the most efficient and effective workers' compensation system. A strong customer service orientation and a focus on dispute prevention and compliance brought about the most significant reductions in costs and customer satisfaction with the system. The following pages provide a summary of some of the most significant findings from the best practice research.

**Best practice findings were incorporated in the recommendations for change wherever appropriate.**





**Our review of several states indicates these best practice initiatives:**

- They measure. They choose appropriate metrics and stick with them.
- They continue to evolve and improve the system.
- They speed up the cycle time, e.g., with EDI and Internet approaches.
- They work seriously on data quality issues.
- They open up access for injured workers, employers, TPAs and the general public, with claims handling guidelines, fraud detection, etc.
- They shift their focus to loss prevention.
- They fund research and education.
- They are serious about compliance.



**Conclusion: Focus on reducing budget dollars spent per claim**

|                                | Maine    | Wisconsin   | Michigan  | Minnesota | Florida   |
|--------------------------------|----------|---|---|-----------|-----------|
| <b>No. of FTE</b>              | 105      | 100   | 146   | 174       | 615       |
| <b>Budget</b>                  | 6.6 MM   | 6.0 MM  | 9.6MM   | 9.6MM     | 93.5MM    |
| <b>No. of Lost Time Claims</b> | 12,200   | 73,000  | 93,400  | 43,500    | 70,000    |
| <hr/>                          |          |   |   |           |           |
| <b>Budget \$ per FTE</b>       | \$63,000 | \$60,000  | \$66,000  | \$55,000  | \$152,000 |
| <b>Claims per FTE</b>          | 116      | 730   | 640   | 250       | 113       |
| <b>Budget \$ per Claim</b>     | \$540    | \$82  | \$102   | \$220     | \$1,335   |
|                                |          |  |  |           |           |

Maine is spending the same per FTE, but Wisconsin and Michigan spend less per claim, achieved through system efficiencies such as... web page, EDI usage, CSR model, data gathered at the initial point of contact, enforcement of compliance, serious education programs, strategic planning



**Conclusion: Focus on reducing the number of claims going to formal hearing**

|                                   | Maine  | Wisconsin | Michigan | Minnesota | Florida |
|-----------------------------------|--------|-----------|----------|-----------|---------|
| <b>No. of Lost Time Claims</b>    | 12,200 | 73,000    | 93,400   | 43,500    | 70,000  |
| <b>Hearing Officers</b>           | 10     | 22        | ??       | 26        | 32      |
| <b>Claims per Hearing Officer</b> | 330    | 132       | ??       | 134       | 88      |

|                                      |     |    |    |    |    |
|--------------------------------------|-----|----|----|----|----|
| <b>% of Claims to Formal Hearing</b> | 27% | 4% | ?? | 8% | 4% |
|--------------------------------------|-----|----|----|----|----|



Maine must reduce the number of claims that go to formal hearing by focusing on preventing disputes and solving disputes informally whenever possible.