



Oversight of Workers' Compensation

Update to 2009 Evaluation Report

Problems Identified

- **Complex Dispute Resolution System.** The Department of Labor and Industry (DLI) and the Office of Administrative Hearings share similar responsibilities with respect to dispute resolution. Either or both agencies could hear a single dispute depending on the type of dispute, the form used to file the dispute, and the parties' willingness to negotiate. Disputes took a long time to resolve and many claimants said they felt lost in the system.
- **Inadequate Investigation Practices.** DLI conducts investigations of employers suspected of not carrying workers' compensation insurance. DLI had a significant backlog of cases resulting from its biggest investigation source, a list of cancelled workers' compensation insurance policies. DLI did not use other databases, such as unemployment insurance, to identify potentially uninsured employers.
- **Underutilized Data.** While DLI collects a large amount of data about all workers' compensation claims, disputes, and investigations, the organization of its computer system did not allow tracking a number of meaningful indicators, including appropriate access to benefits, reimbursements owed to the state, and settlement outcomes.

Changes Implemented

- **Investigation Practices Improved.** DLI dedicated portions of two positions to investigate uninsured employers, and eliminated the backlog of investigations of the employers on its cancelled-policy list. DLI coordinated with the Department of Employment and Economic Development to use its unemployment insurance database to identify employers who report labor but do not carry a workers' compensation insurance policy.
- **Data System Improved.** DLI made progress in addressing each of several OLA recommendations regarding DLI's computer system. DLI has overhauled the system used to track the progress of claims and penalize out-of-compliance employers. DLI believes that in-progress upgrades will improve tracking employer reimbursements to the state. Additional improvements have been planned and approved for development.

Action Needed

- **Simplify Dispute Resolution System.** Based on OLA recommendations, DLI presented to the Workers' Compensation Advisory Council three proposals to improve dispute resolution, but none was adopted. These included establishing an ombudsperson for injured workers, a plan to streamline the dispute resolution system, and a pilot program modeled after the Union Construction Workers' Compensation Program. DLI is currently developing alternate proposals to streamline the dispute resolution system. The Legislature should create an ombudsperson for injured workers, and DLI should continue working to simplify dispute resolution.