

**Massachusetts Workers' Compensation
Advisory Council Minutes**

August 10, 2005

Department of Industrial Accidents

600 Washington Street, 7th Floor

Boston, MA 02111

Present: Chairman Paul Byrne; Vice-Chairman Thomas M. Jones.

CM: Jeanne-Marie Boylan; Edmund C. Corcoran; Mickey Long; Carol Falcone; Ken Paradis; Bruce Cochrane (Tom McClure); John Ziemba (Gayl Mileszko).

Also Present: DIA: John Chapman, Commissioner; James LaMothe, Senior Judge; Jack Tynan, Deputy Commissioner of Administration; Richard Morris, First Deputy Director of Administration; William Taupier, Deputy Director of Administration and EDP; Mike Kelly, AIM; John Myers, AIM.

Advisory Council Staff: Andrew Burton; Evelyn Flanagan.

Absent: CM: Tony Frias; Robert Banks; John D. Boyle; John A. Pulgini; Department of Business & Technology.

Agenda:

Chairman's Welcome

DIA Update

- Judicial Update - James LaMothe, Senior Judge
- DIA Vital Statistics - William Taupier, Deputy Director of Administration & EDP
- Assessment Audit Quarterly Update - Jim Boyle, Assessment Manager

Action Items

- Minutes - June 8, 2005

Oracle - Phase III - John Glennon, Director of Information Technology

Chairman's Welcome

Chairman Paul Byrne began today's meeting at 9:00 a.m. Chairman Byrne introduced Tom McClure, Vice President of Operations, Renaissance Group. Mr. McClure is representing Council Member Bruce Cochrane. Chairman Byrne requested that Senior Judge James LaMothe proceed with his judicial update.

DIA UPDATE

Judicial Update

Senior Judge LaMothe updated Council Members on the information contained within the DIA's vital statistic report for August of 2005 (see attached). Conference Queue: 373 (237 in July '05); Hearing Queue: 1,906 (1,791 in July '05); Reviewing Board Inventory: 136 (114 in July '05); Impartial Exams: 0 (0 waivers). In fiscal year 2005 there were 4,779 Impartial Medical Examinations (119 waivers).

Senior Judge LaMothe reported that the time it takes for a case to go from conciliation to conference is approximately 7 weeks. The Senior Judge stated that although he has run into resistance from the legal community, he would like to gradually decrease this time-frame to approximately 4 weeks.

The Senior Judge reported that there is still one vacancy within the Reviewing Board. Judge LaMothe explained that even with this vacant position, the Reviewing Board is sufficiently handling their caseload.

Senior Judge LaMothe reported that he is currently attempting to measure the time frames for each stage of dispute resolution. He noted that the average time for a claim to proceed from conciliation to conference is 7 weeks.

Senior Judge LaMothe referred to a report included in the Council Member's packets entitled, "Decisions Outstanding Over 6 Months." He stated that there are currently 14 Judges with cases overdue by more than six months from the first scheduled hearing date. The Senior Judge reported that overall number of case outstanding (133 cases) has decreased since his last report in May (142 cases). He cautioned the Council Members that on occasion a case does not move forward on the first scheduled hearing date due to rescheduling or continuances. Senior Judge LaMothe stated that he would ultimately like to measure the time-frame between the "close of record" to the decision.

The Senior Judge stated that he would provide Council Members with a revised report identifying and tracking judges with outstanding cases.

The Senior Judge reported that he is still attempting to hire a qualified candidate for the management position in the Impartial Unit. He explained that he has had difficulty in finding the ideal candidate with a dual medical and legal background, who is willing to accept payment at a public service rate. He noted that a manager from another unit has agreed to work with the Impartial Unit on an interim basis.

Senior Judge LaMothe stated that the list of Impartial Physician's still poses problems. Although the DIA has more physicians on the list than the previous year, he would like to increase the number of specialties. He also mentioned that there has been a decrease of physicians in the Springfield region due to a lack of major hospitals.

The Senior Judge indicated that the Nominating Panel might begin the reappointment process in the fall. He stated that Judge Bean's term ended in June and that Judge Hernandez's term would end in December.

Stop Work Orders/Caseload Statistics

Mr. Taupier updated Council Members on the Stop Work Order (SWO) and Caseload Statistics for July of 2005 (see attached). SWO compliance remains at 100%. Total compliance investigations completed during June: 1,934; total compliance investigations completed during July: 1,802; total SWOs issued: 24 (June), 17 (July); total number of SWOs issued for FY'05: 173; total fines collected for June of 2005: \$33,875; total fines collected for July of 2005: \$29,287; total fines collected in FY'05: \$267,061; total SWO fines collected in FY'04: \$343,582. Mr. Taupier reported that the Office of Investigations continues to improve the SWO and fine collection process. Mr. Taupier noted that the money collected from the fines is deposited into the Special Fund.

Mr. Taupier continued his update of the monthly vital statistics. Total number of cases filed for July of 2005: 1,067; total number of cases filed for FY'05 (to date): 16,276; total number of cases filed for fiscal year 2004: 16,394; total number of First Report's filed for July of 2005: 2,721; total number of First Report's filed for FY'05 (to date): 37,461.

Mr. Taupier reported that in July of 2005, a total of 689 First Reports of Injury (FRI) were filed on-line using the DIA's Information Portal on the Internet (25.32% of FRI filings). By comparison, at this point last year, less than 5% of FRIs were submitted on-line. Mr. Taupier noted that the number of cases filed in FY'05 continues to track below FY'04 levels.

Mr. Taupier proceeded with his update on uninsured claims (§65). Estimated §65 claims filed in FY'06 (to date): 16 (13 have been processed by the WCTF); uninsured claims paid by the Trust Fund for fiscal year 2006: \$149,516. Estimated §65 claims filed for FY'05 (to date): 247 (with 201 actual uninsured injuries); uninsured claims paid by the Trust Fund for fiscal year 2005 (to date): \$5,933,908; total number of §65 claims filed for fiscal year 2004: 213 (of those cases, 194 were actual uninsured injuries); total number of uninsured claims paid by the Trust Fund for fiscal year 2004: \$4,415,278.

Mr. Taupier proceeded with the vital statistics for the Second Injury Fund. Number of §37/37A petitions filed in fiscal year 2006 (to date): 16; number of §37/37A petitions paid in fiscal year 2006 (to date): 0; amount paid on these claims in fiscal year 2005 (to date): \$0; number of §37/37A petitions filed in fiscal year 2005: 316; number of §37/37A petitions paid in fiscal year 2005: 530; amount paid on these claims in fiscal year 2005: \$24.9 million; COLA reimbursements to insurers in FY'06 (to date): \$0; COLA reimbursements to insurers in FY'05: \$11.0 million. As of July 31, 2005, the amount of payments for §37/37A claims stands at \$24,935,948 (books close on August 31, 2005).

Budget/Personnel Issues

Mr. Taupier reported that as of July 2005, the number of employees whose salary is paid by either the Special Fund or the Trust Fund was 273 (242 DIA employees, 31 WCTF employees). The DIA has no contract employees at this time. Six temporary employees are being utilized within the DIA as of this report. Mr. Taupier noted that the DIA is utilizing 3 legal interns who are assisting the Office of Legal Counsel.

ASSESSMENT AUDIT QUARTERLY UPDATE

Mr. Jim Boyle, Assessment Manager, updated the Advisory Council on the assessment audit. He presented two reports to the Council. He explained that the first report was a breakdown of the insurance assessment review. Mr. Boyle stated that all audits are now complete, except for one. Mr. Boyle reported that the DIA has collected a total of \$9,297,230.39. Mr. Boyle stated that since his last quarterly report there has been just over \$2.0 million collected from the outside audit firms.

Mr. Boyle reported that the DIA has begun a new round of audits. Letters have been mailed to a number of different companies informing them that the DIA is continuing with their audit review.

Mr. Boyle explained that the DIA has established critical partnerships with the Department of Insurance (DOI) and the Workers' Compensation Rating and Inspection Bureau (WCRIB). Mr. Boyle noted that the partnership with DOI allows the DIA to populate their database with carriers that have obtained a license to write workers' compensation insurance. Mr. Boyle reported that each insurance company that has a license to write workers' compensation will receive an assessment. The DOI database has also allowed the DIA to obtain premium amounts collected by each carrier.

Mr. Boyle stated that the other critical partnership the DIA developed was with the WCRIB. Mr. Boyle noted that the importance of these partnerships is that they allow the DIA to reconcile their own data. He explained to the Council that the WCRIB will provide the DIA with standard premium amounts while the DOI will assist with enforcement measures. Mr. Boyle remarked that if a carrier refuses to make payments owed, their license to write workers' compensation insurance in Massachusetts would be pulled by DOI. Mr. Boyle noted that the money collected for unpaid assessments gets split between the Special Fund and the Trust Fund.

Mr. Boyle presented his next report to Council Members, which outlined the first in a series of communications that the WCRIB has agreed to send to its members. He stated that the communication explains the audit process and the background of the DIA's review of assessments. Mr. Boyle mentioned that a second communication would be sent out that would summarize the major findings. This communication would also inform carriers on what they can expect when contacted by the CPA firms to perform the assessment audits.

Mr. Boyle reported that the next audit period would span from December 31, 2003, going back to the previous audit period of December 1998. Mr. Boyle reported that the DIA was going to attempt to manage the audits so they are done in a shorter cycle. The DIA intends to complete this audit period by late 2006.

Council Member Edmund Corcoran thanked Mr. Boyle for the great job he has done, as well as praising Attorney Karen Fabiszewski for her previous dedication to this project. CM Corcoran also recognized CM Bobby Banks for bringing this topic to the attention of the DIA thereby beginning the assessment recovery process.

ACTION ITEMS

Chairman Byrne asked for a motion to accept the Minutes for June 8, 2005.

Motion made to accept the Minutes for June 8, 2005.

MMS - passed.

ORACLE - PHASE III

Mr. John Glennon, Director of the DIA's Information Technology (IT) Department, began his presentation with a historical perspective of the Oracle project. He explained that CMS Phase I replaced the Diameter legacy application at a cost of \$3,960,000. A second part of the project was the replacement of the Pyramid legal application in the Trust Fund at a cost of \$1,082,000 for the conversion. The agency then began CMS Phase II, which is a Web Based Processing / Enhanced Reporting System. The project ran from January 2003 until November 2003, at a cost of \$2,200,000. Mr. Glennon indicated that within that time, specifications for the project have changed and that work continues to proceed.

Mr. Glennon provided Council Members with a brief overview of the Phase III proposal and the units it would effect. He explained the purpose of the project is to reduce a significant amount of redundancy in many of the units at the DIA. Mr. Glennon stated that the project would allow IT to begin batch processing for notices and reports, thereby allowing the DIA to potentially eliminate IT's second shift, saving both time and money.

Mr. Glennon explained that the Finance & Accounting Unit would also benefit from Phase III of the project. Known as the Financial Integration Project, this part of Phase III would integrate the processing of CMS/WCTF/NEWMARS and eliminate millennium. The purpose of the integration would be to eliminate duplicate entries and reduce errors. Currently, the DIA has an accounts payable system that pays bills, but they do not have a system that is able to determine their estimated future liability. Phase III will allow the Trust Fund to track cases, as well as conduct exposure reporting.

Mr. Glennon stated that the next area under Phase III is a partnership with the insurance industry. This part of the project would provide carriers with the capability for high-volume batch claim submissions. This partnership would reduce errors caused by manual data entry. He noted that this improvement would greatly affect larger companies who currently do a high volume of claim submissions.

Mr. Glennon reported that the project would consist of a digital repository for all DIA documents. He noted that the DIA is running low on space and that files are now being stored in hallways. Mr. Glennon stated that this project would improve the efficiency of file storage, which is greatly needed by the DIA.

Mr. Glennon informed the Advisory Council that Phase III would promote Debit Card Processing at the agency. He noted that this would eliminate the need for checks and would allow the DIA to track expenses more efficiently. In the future, the DIA would like to manage payments by issuing debit cards to claimants, rather than cutting checks on a monthly basis.

Mr. Glennon stated that he would like to complete the automation of the DIA's email capability by converting all printed notices to email. He explained that this would create a reduction in postage, paper and time.

Mr. Glennon informed the Council that there were two projects that the DIA has not created timetables for. He informed the Council that the first is an on-line Assessment Project that would allow for the automation of assessments and the collection of funds from the insurance companies. As with the automation of email, the benefit would be a reduction in postage, paper and time.

The second project would be an environment upgrade. The project includes upgrading the Oracle environment from 9i to 10g, as well as the application server, portal and database servers. The purpose of this upgrade is for increased stability and to keep pace with the operating systems.

Mr. Glennon reviewed the final sheet which explained the projected hours, consulting fees, and software and hardware funding. The DIA anticipates that the project will take 7,910 hours of development time at \$100.00 per hour (\$791,000) for consultants. The anticipated cost of the software and hardware is expected to cost \$547,000. The total amount of the request is \$1.38 million. Currently, there is a little over \$10.0 million in the Special Reserve Account.

CM Corcoran suggested that the DIA and the Advisory Council create a Phase III Subcommittee to monitor the project through its duration. He noted that the past partnership produced many accolades from users, both internally and externally.

ACTION ITEMS

Chairman Byrne asked for a motion to release sufficient funds from the Special Reserve Account to pay for expenses associated with the expansion of the agency's computer system.

Motion made to immediately release funds totaling \$1,338,000 from the Special Reserve Account to support this expansion of the DIA's computer systems.

MMS - passed.

EXECUTIVE DIRECTOR UPDATE

Executive Director Andrew Burton reported to the Advisory Council that on June 29, 2005, the Joint Committee on Labor and Workforce Development held a public hearing on workers' compensation legislation. The Executive Director stated that he testified on behalf of the Council along with CM Mickey Long and CM John Boyle. The Executive Director noted that he had spoken with Representative Rodrigues' staff and was informed that the RMV legislation, supported by the Advisory Council, was going to be filed this week. Mr. Burton stated that one addition had be made to the bill requiring the DIA to report to the Joint Committee on Labor and Workforce Development on the utilization of the license suspension program.

The Executive Director also reported that the WCRIB's Data Reporting Committee will be meeting near the end of the month to discuss the Council's proposal of having an on-line employer look-up tool, which would allow the general public access to workers' compensation coverage information for individual employers.

In closing, CM Falcone suggested that the Council invite a member of the Health Care Services Board and a representative from the Division of Health Care Finance & Policy to the next Council meeting to discuss the rate setting process.

The next regular meeting of the Advisory Council is scheduled for Wednesday, September 14, 2005 at 9:00 AM, at the Division of Industrial Accidents, at 600 Washington Street, 7th Floor, Boston, MA 02111.