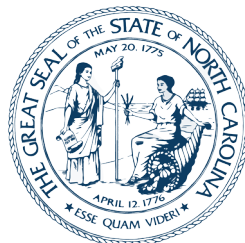




Report Outlining the Activities and Accomplishments of the Office of State Human Resources' (OSHR) Safety, Health and Workers' Compensation Division (SHWC) for FY 2018

Pursuant to NCGS §143-583



BARBARA GIBSON
OSHR Director

JOHN R. BOGNER, JR.
Division Director

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 FY 2018.

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

The SHWC's effective work, outreach, and resourcefulness is evidenced by the continued decline in total claims in FY 2018. The 4,523 new claims filed in FY 2018 represents a 16.7 percent decline between FY 2013 and FY 2018. 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 170,000 state employees in Cabinet and Council of State agencies, the UNC System, and community colleges as of June 30, 2018. 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

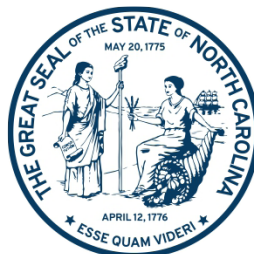


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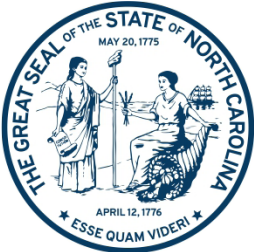
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Introduction and Executive Summary



NCGS §143-583 requires the Office of State Human Resources (OSHR) to annually file this report 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 2018 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. 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, Includes:

- 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) Includes:

- 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
- Identifies ongoing claims for improved outcome and cost containment opportunities

Summary of FY 2018 Safety Activities

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

Pursuant to authority in NCGS Chapter 143, Article 63, 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.

The Outreach Program has continued in FY 2018 and to date, site visits have been conducted at 11 UNC System institutions and three cabinet agencies. The Outreach Program will continue with State agencies and universities throughout FY 2019 with the addition of follow-up visits to those universities and agencies visited in FY 2017 and 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 continue to work with agencies and universities in hazard recognition and elimination using Hazard Alerts.

C.) N.C. Department of Labor (DOL) Inspection Activity regarding citations and fines for State Agencies and Universities in FY2018

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

Description	Totals
Total Inspections Listed	48
Total Inspections Conducted	45
Total Inspections with Citations	21
Total Inspections without Citations	24
Total Citations Issued	63
Total Initial Penalties Assessed	\$95,250.00
Total Current Penalties Assessed	\$89,179.50

Open Date	Inspection Number	Establishment Name	Total Violations	Other Violations	Initial Penalty	Current Penalty	Paid Penalty	Close Date
7/3/2017	318111028	NCDPS, Robeson CRV Behavioral Modification Center	2	0	\$6,400.00	\$2,400.00	\$2,400.00	5/7/2018
7/19/2017	318112976	NCDOT Safety & Risk MGMT- Maintenance Moore County	6	0	\$6,000.00	\$6,000.00	\$0.00	Open
8/14/2017	318114832	NC Administrative Office of the Courts	2	2	\$1,200.00	\$600.00	\$600.00	11/1/2017
10/6/2017	318119765	NCDOT Safety & Risk MGMT- Maintenance Caldwell County	1	0	\$2,250.00	\$1,462.00	\$1,462.00	11/21/2017
10/13/2017	318120664	NC Department of Public Safety- Adult Correction Pasquotank	1	0	\$7,000.00	\$7,000.00	\$0.00	Open
10/13/2017	318120771	Division of Adult Correction of Department of Public Safety	1	0	\$7,000.00	\$7,000.00	\$0.00	Open
11/8/2017	318123098	Crowders Mountain State Park- DNCR	2	0	\$6,300.00	\$6,300.00	\$0.00	Open
3/14/2018	318131380	NCDOT Safety & Risk Mgmt- Bridge Wilkes Cty.	4	1	\$600.00	\$600.00	\$0.00	Open
4/3/2018	318133212	NC State University PENN 4-H Center	6	2	\$1,950.00	\$1,267.50	\$1,267.50	7/2/2018
4/27/2018	318136223	NCDOT Safety & Risk Mgmt- Maintenance Yadkin County	9	3	\$18,900.00	\$18,900.00	\$0.00	Open
4/30/2018	318136025	Yadkin County Schools Maintenance & Transportation	7	2	\$8,800.00	\$8,800.00	\$0.00	Open
5/8/2018	318136611	UNC Greensboro	4	1	\$17,500.00	\$17,500.00	\$0.00	Open
5/29/2018	318139458	Randolph County Schools- Southeastern Randolph Middle	3	0	\$11,250.00	\$11,250.00	\$0.00	Open
6/8/2018	318138690	NC DOT Safety & Risk Mgmt- Maintenance Mitchell County	1	0	\$100.00	\$100.00	\$0.00	Open
Total Inspections Listed:			49	10	\$95,250.00	\$89,179.50	\$5,729.50	

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

Summary of FY 2018 Workers' Compensation Activities

The OSHR State Workers' Compensation Manager, Workers' Compensation Consultants, and Program Services Administrator collaborate closely with State agency HR staff, contracted vendors, and the N.C. Department of Justice-Workers' Compensation Section to properly administer state employee workers' compensation claims in accordance with NCGS Chapter 97, the Workers' Compensation Act, accompanying administrative rules, and case law.

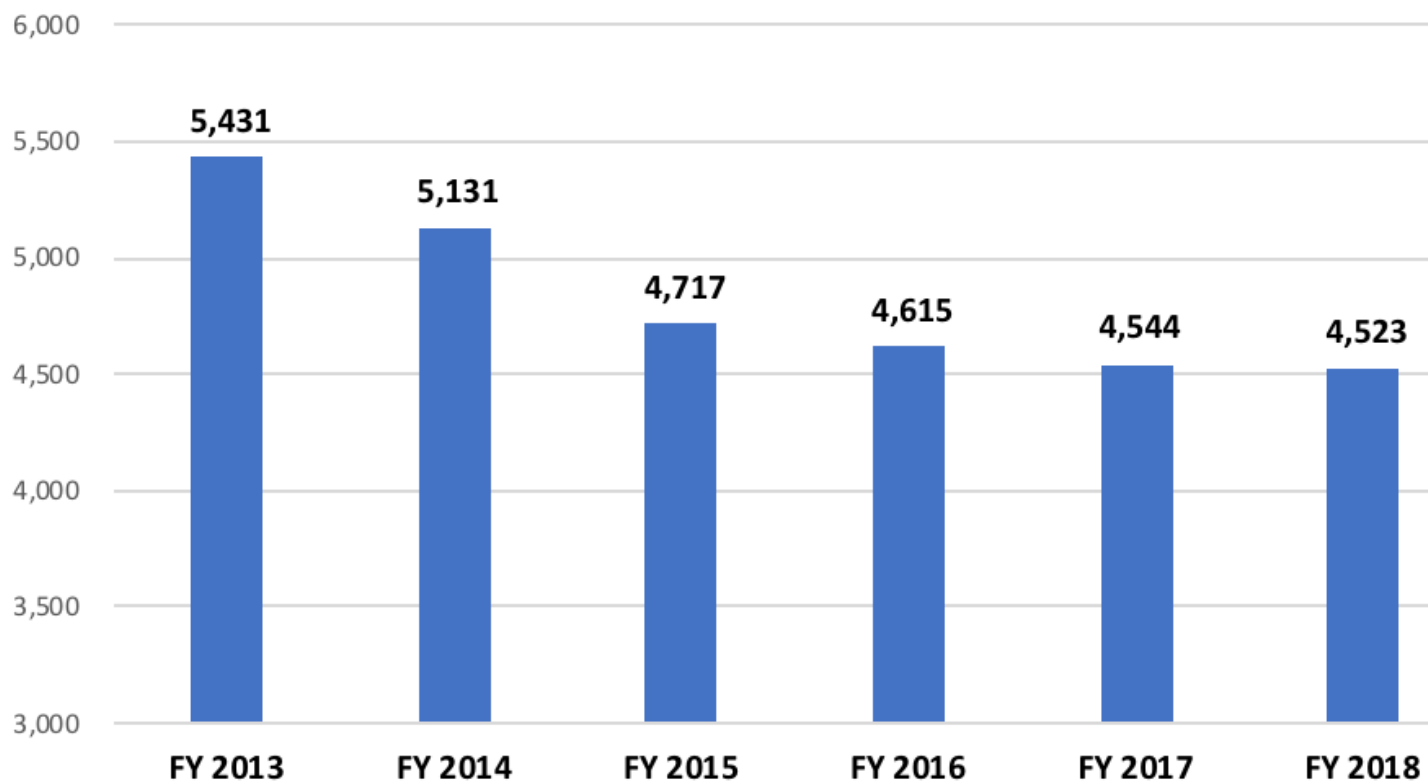
Claims are managed with the goal of promoting the best possible outcome for the injured employee while simultaneously containing lost wages, medical, and other related costs. OSHR develops and implements constantly updated claims handling processes in accordance with State law and need for specific services to ensure consistent claims handling practices are utilized by State agencies and contracted vendors.



Total New Reported Claims

FY 2013-FY 2018 Total New Reported Claims

Data as of 6/30/2018

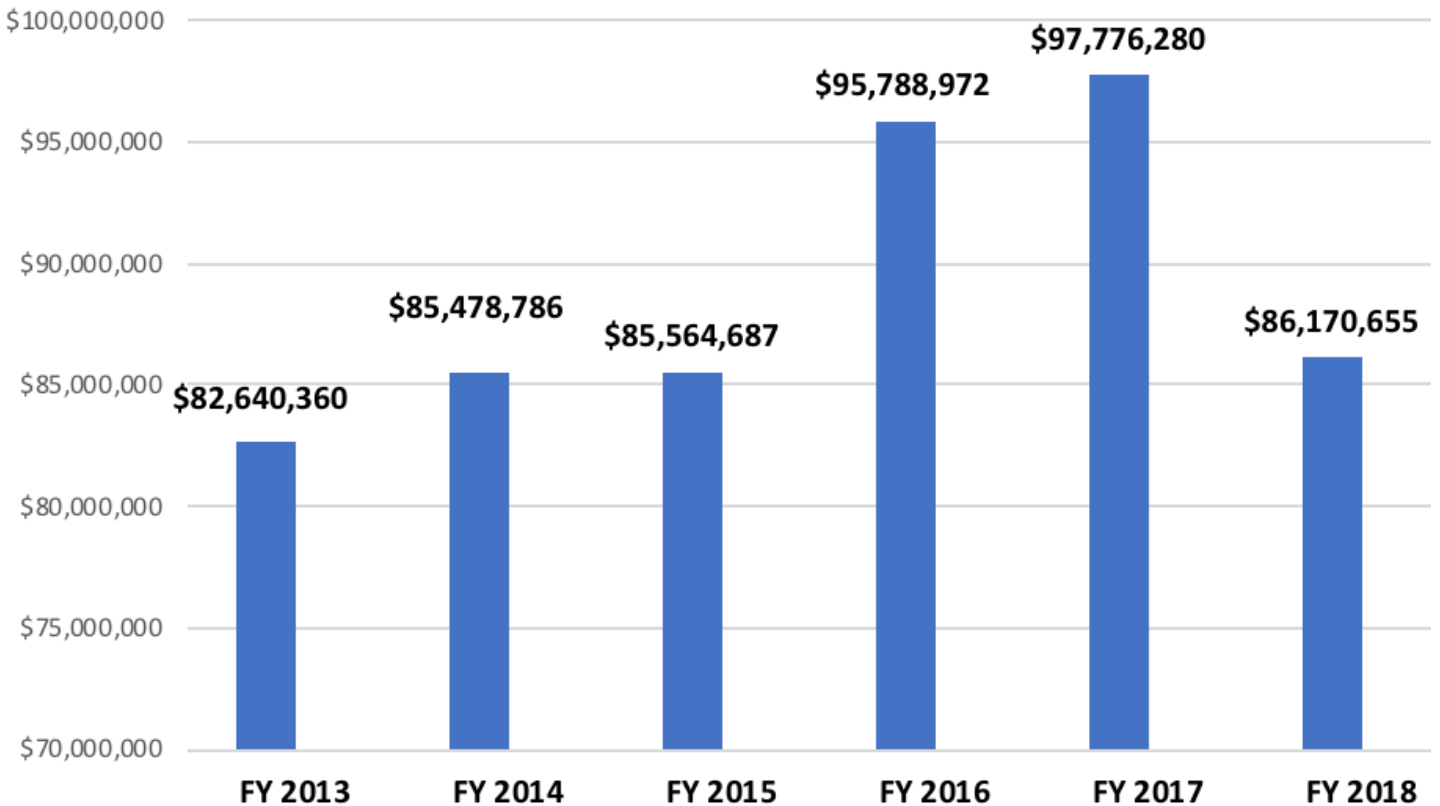


Total new claims filed declined 16.7 percent overall between FY 2013 and FY 2018. The steady decrease in injuries may be attributed to increased awareness of workplace hazards in State agencies and universities and the importance of identifying them before an injury occurs. The State Workers' Compensation Program covers approximately 170,000 state employees in Cabinet and Council of State agencies, the UNC System, and community colleges; therefore, constant vigilance on the part of management, supervisors, and employees is imperative to continue reducing workplace risks and resulting injury claims.

Total Workers' Compensation Expenditures

FY 2013-FY 2018 Total Claims Cost including Settlements

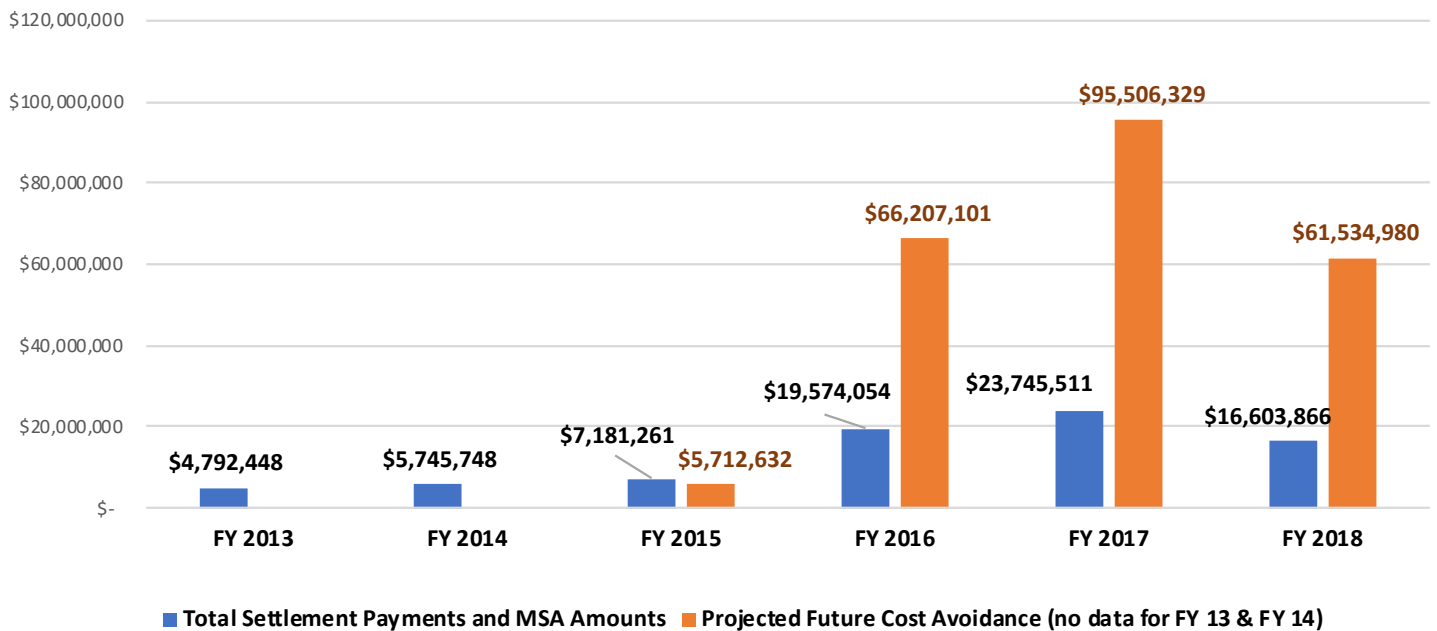
Data as of 6/30/2018



Total workers' compensation claims cost including settlements decreased from \$97,776,280 in FY 2017 to \$86,170,655 in FY 2018 representing an overall savings of \$11,605,625 or approximately 11.9 percent. This decline may be attributed to the approximately 21 percent decline in claim settlements from 387 in FY 2017 to 306 in FY 2018, along with an ongoing commitment by State agencies to reduce lost time from work via comprehensive return to work programs and reduction in ongoing medical treatment cost due to a smaller overall claims inventory.

Total Claim Settlement Costs

FY 2013-FY 2018 Total Settlement Cost including Medicare Set Asides and Projected Future Cost Avoidance Data as of 6/30/2018



Reduced availability of N.C. General Assembly appropriated funds, \$2 million in FY 2018, combined with fiscal constraints in multiple State agencies and universities resulted in an overall decrease of 81 claim settlements compared to FY 2017. Total dollars spent on claim settlements declined from \$23,745,511 in FY 2017 to \$16,603,866 in FY 2018, or 30 percent. This decrease in the total number of claim settlements will likely result in higher total claim expenditures in future years in the form of increased ongoing disability compensation and medical costs

associated with claims that should have already been settled when it was fiscally advantageous to the State to do so. This also translates into an overall increase in the State's claims inventory.

Projected future cost avoidance is the additional estimated amount of claim costs (disability and medical compensation) that likely would be spent throughout the remainder of the lifetime of the claim if the claim were not settled. This data is unavailable for FY 2013 and FY 2014 settlements.

FY 2017 projected future cost avoidance associated with settlements totaled \$95,506,329 representing a return on investment of 402 percent. Projected future claim costs avoided due to claim settlements substantially decreased from to \$61,534,980, or approximately 35.6 percent, in FY 2018 due to the approximately 21 percent decrease in the number of claim settlements from 387 in FY 2017 to 306 in FY 2018. Even so, state agencies and universities continued to be fiscally responsible in FY 18 as claim settlements yielded a return on investment of approximately 371 percent.

Federal law precludes Medicare from paying a Medicare beneficiary's medical expenses when payment has been made or can reasonably be made under a workers' compensation plan, automobile or liability insurance policy or plan, or under no fault insurance. Medicare has a priority right of recovery over any other entity to the proceeds of a workers' compensation settlement.

Therefore, Medicare's interest must be protected in any settlement of a workers' compensation claim. To comply with these requirements, the parties to a workers' compensation claim settlement wherein the employee is currently a Medicare beneficiary or has a "reasonable expectation" of such within the next 30 months are required to "set aside" monies for an individual's future medical expenses that are attributable to the injury and would otherwise be payable by Medicare. The Medicare Set Aside (MSA) amount included in claim settlements satisfies this federal requirement.

Funds Allocated to OSHR to Assist in Claim Settlements; i.e., Workers' Compensation Settlement Reserve Funds (WCSRF)

Session Law 2015-241, Section 30.18(a) appropriated \$2,000,000 in FY 16 for “the closure of existing workers’ compensation claims.” NC OSHR in conjunction with the Office of State Budget and Management (OSBM) and the Office of the State Controller (OSC) 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. All state agencies and universities may apply for settlement funds on an individual, per claim basis. OSHR allocates agencies approximately 25 percent to 35 percent of the projected settlement cost for each claim. Agencies settle other claims entirely utilizing their own available funds.

Here are charts summarizing the fiscal impact of claim settlements partially funded by these appropriations allocated by OSHR.

FY 2016 – OSHR Claim Settlement Allocations Results

Claims settled that were allocated funds	Total cost of settlements	Total FY 2016 OSHR funds allocated and used in settlements	Actual cost of settlements for State agencies	Projected future claim costs saved due to settlements
55	\$5,573,458	\$2,000,000	\$3,573,458	\$37,530,971

Session Law 2015-241, Section 30.10(c) reserved 50 percent of funds remaining from FY 2016 appropriations for legislatively mandated salary increases, compensation bonuses, and

employee benefits to NC OSHR for use in workers’ compensation claim settlements. This resulted in an additional availability of \$4,389,797 in FY 2017 for this purpose.

FY 2017 – OSHR Claim Settlement Allocations Results as of 7/25/18

Claims allocated OSHR funds with approved settlements as of 7/25/18	Total cost of settlements approved as of 7/25/18	Total FY 2017 OSHR funds allocated as of 7/25/18	Actual cost of settlements for State agencies approved as of 7/25/18	Projected future claim costs saved due to settlements approved as of 7/25/18
135	\$13,375,917	\$4,310,000	\$9,065,917	\$69,203,083

Session Law 2017-57, Section 2.1, appropriated \$2,000,000 in FY 18 to OSHR to continue assisting

agencies in closing existing workers’ compensation claims.

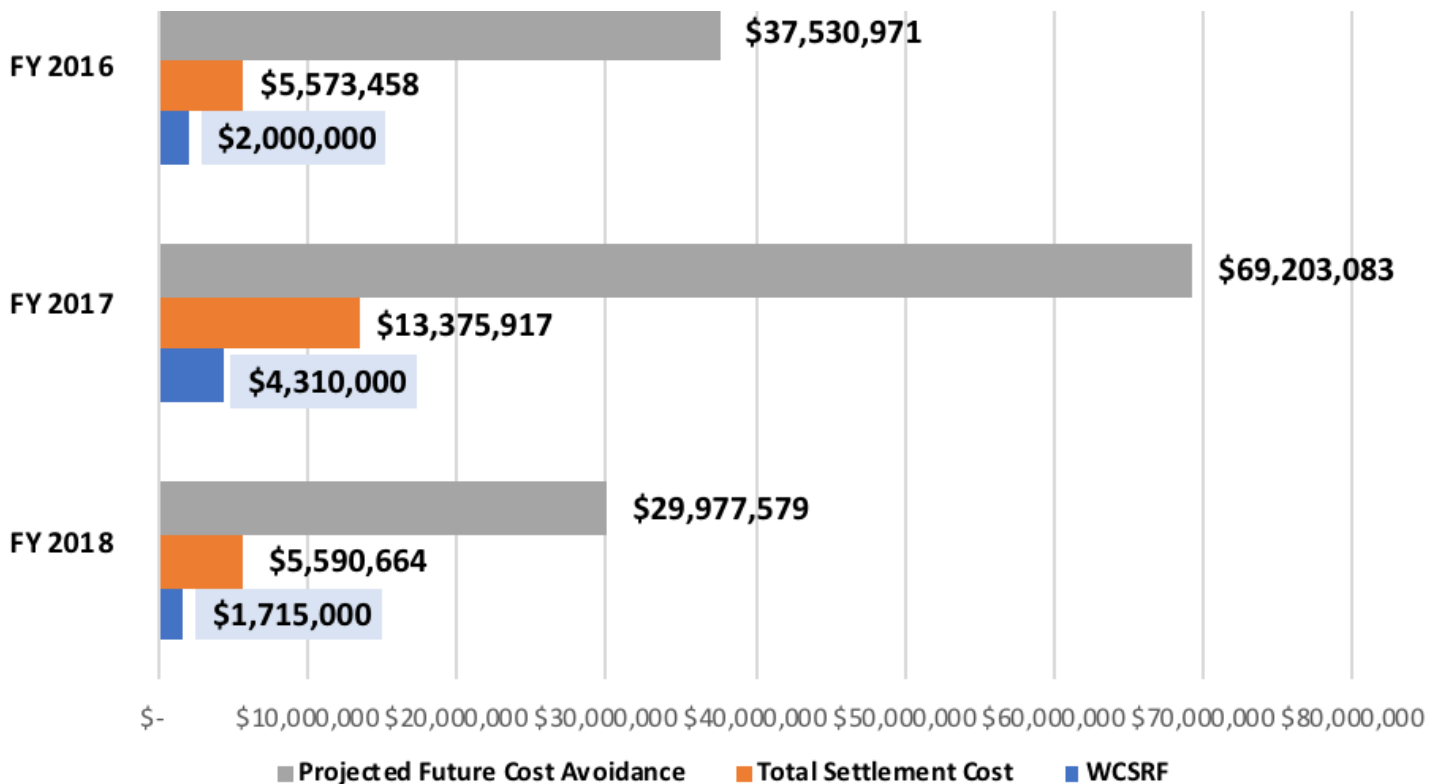
FY 2018 – OSHR Claim Settlement Allocations Results as of 7/25/18

Claims allocated OSHR funds with approved settlements as of 7/25/18	Total cost of settlements approved as of 7/25/18	Total FY 2018 OSHR funds allocated as of 7/25/18	Actual cost of settlements for State agencies approved as of 7/25/18	Projected future claim costs saved due to settlements approved as of 7/25/18
69	\$5,590,664	\$1,715,000	\$3,875,664	\$29,977,579

In summary, settlement of these 259 claims alone in FY 2016, FY 2017 and FY 2018 with the assistance of General Assembly appropriated funds yields projected future claims costs savings exceeding

\$136 million dollars, which will increase as the remainder of FY 2017 and FY 2018 OSHR funds are allocated and claims settled. Here's a summary chart of this data.

Workers' Compensation Settlement Reserve Funds Utilized for Approved Settlements Data as of 7/25/18



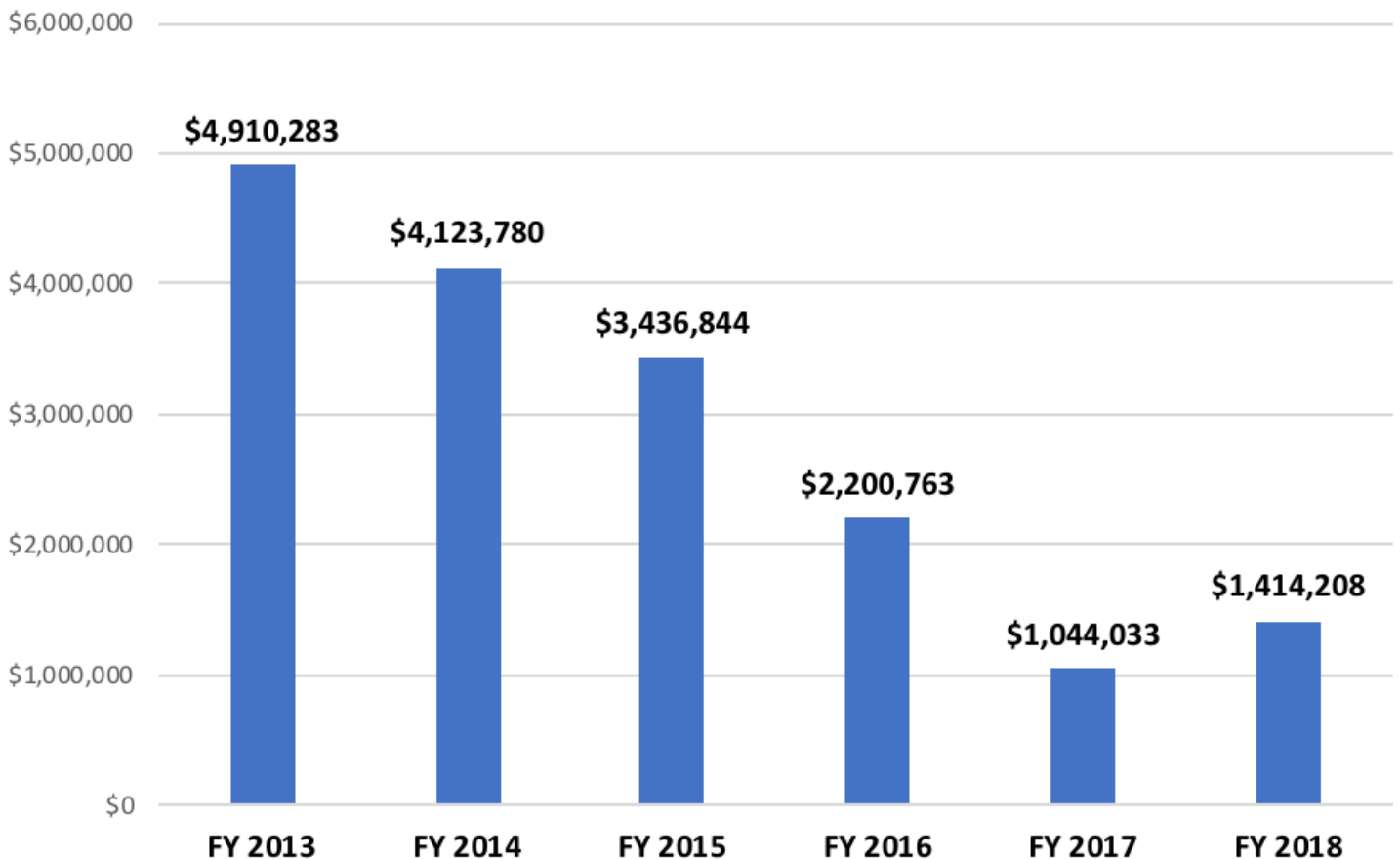
Salary Continuation Payments per NCGS §143-166.14

Salary continuation payments rapidly decreased after statutory changes enacted in 2014 and 2015 limited salary continuation benefits to specific types of injuries. Further clarifying amendments in 2016 ensure that salary continuation eligible employees are subject to the same requirements to continue receiving ongoing compensation for lost time from work as any other injured employee. The approximately 35 percent increase in FY 2018

salary continuation payments is largely a result of claims related to the October 12, 2018, incident at Pasquotank Correctional Center, wherein specific injured employees listed in NCGS §143-166.13 are eligible for salary continuation benefits for a total of two years from their first date of disability pursuant to NCGS §143-166.14. SPECIAL NOTE: This data is subject to change due to pending salary continuation decisions that may include retroactive payments.

FY 2013-FY 2018 Salary Continuation Payments

Data as of 6/30/2018

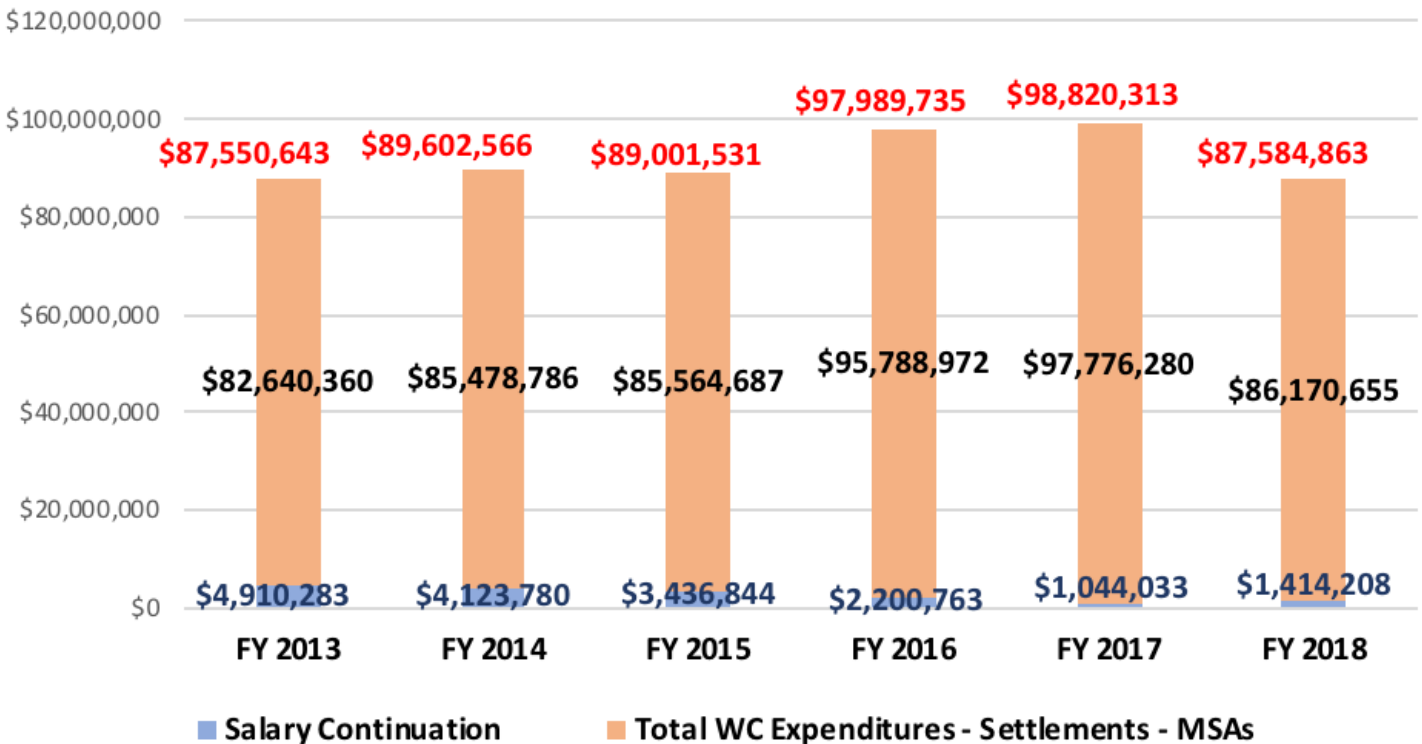


Total Expenditures, Settlements and Salary Continuation

Including salary continuation payments and claim settlements including Medicare Set Asides (MSAs), total workers' compensation claims cost decreased from \$98,820,313 in FY17 to \$87,584,863 in FY 18 representing an overall savings of approximately 11.4 percent. OSHR constantly engages with

State agencies to promote timely return to work of injured employees, providing necessary medical treatment to foster better outcomes, and closing claims as quickly as possible to contain these ongoing claim costs.

FY2013-FY2018 Total Workers' Compensation Claim Costs including Settlements (with MSAs), and Salary Continuation Payments Data as of 6/30/2018

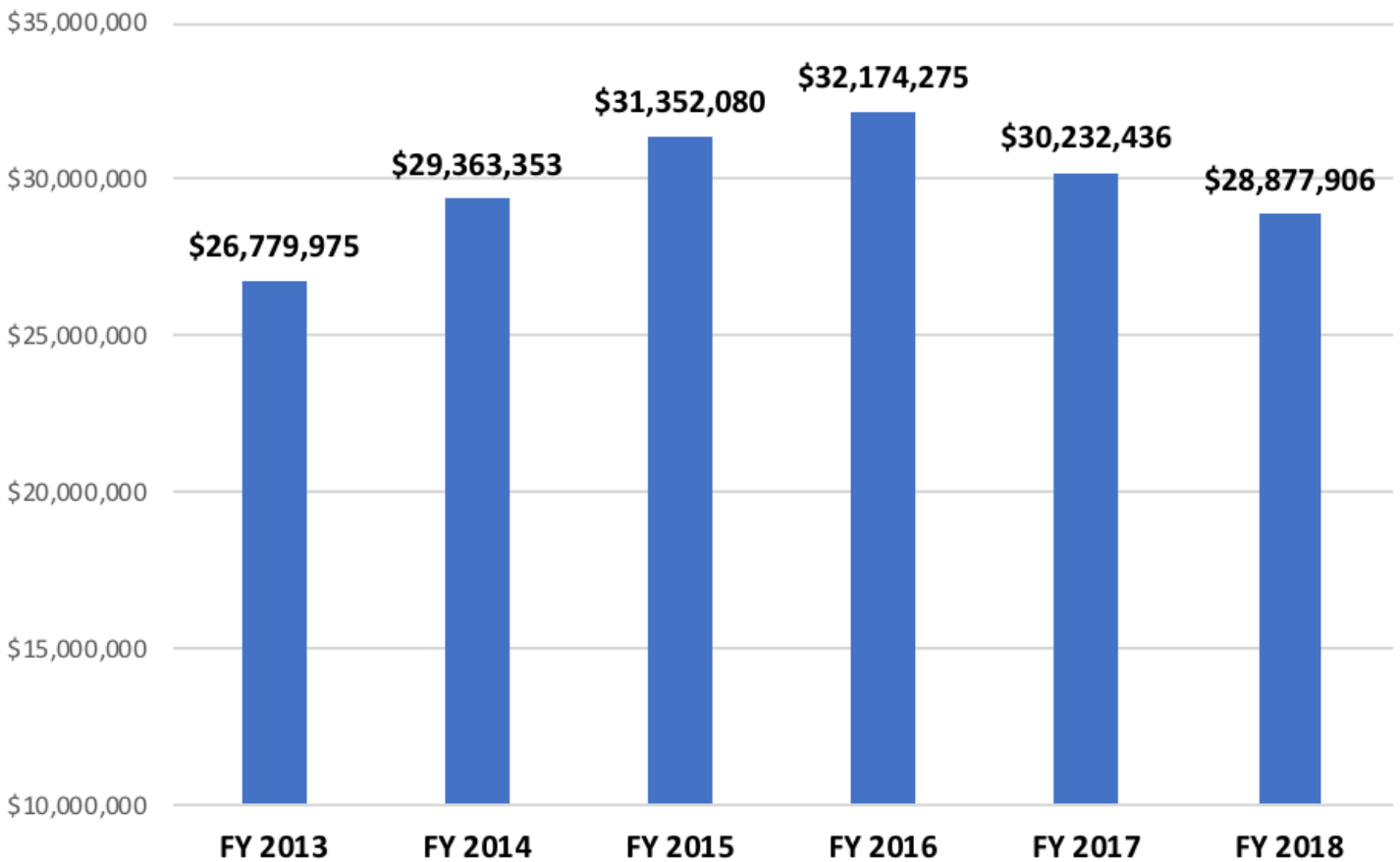


Temporary Total Disability Payments

Temporary total disability payments increased in FY 2015 and FY 2016 in part due to 2014 statutory changes limiting salary continuation benefits for law enforcement to specific types of injuries. The sharp increase in claim settlements during FY 2016, FY 2017, and FY 2018 is largely attributable to the decrease in these payments in the past three

fiscal years as fewer claims are now receiving long-term ongoing disability compensation benefits. In addition, State agencies' ongoing commitment to return injured employees to work as soon as released to do so with or without work restrictions also accounts for decreased overall disability compensation costs.

Total Workers' Compensation TTD Payments FY13-FY18 Data as of 6/30/2018

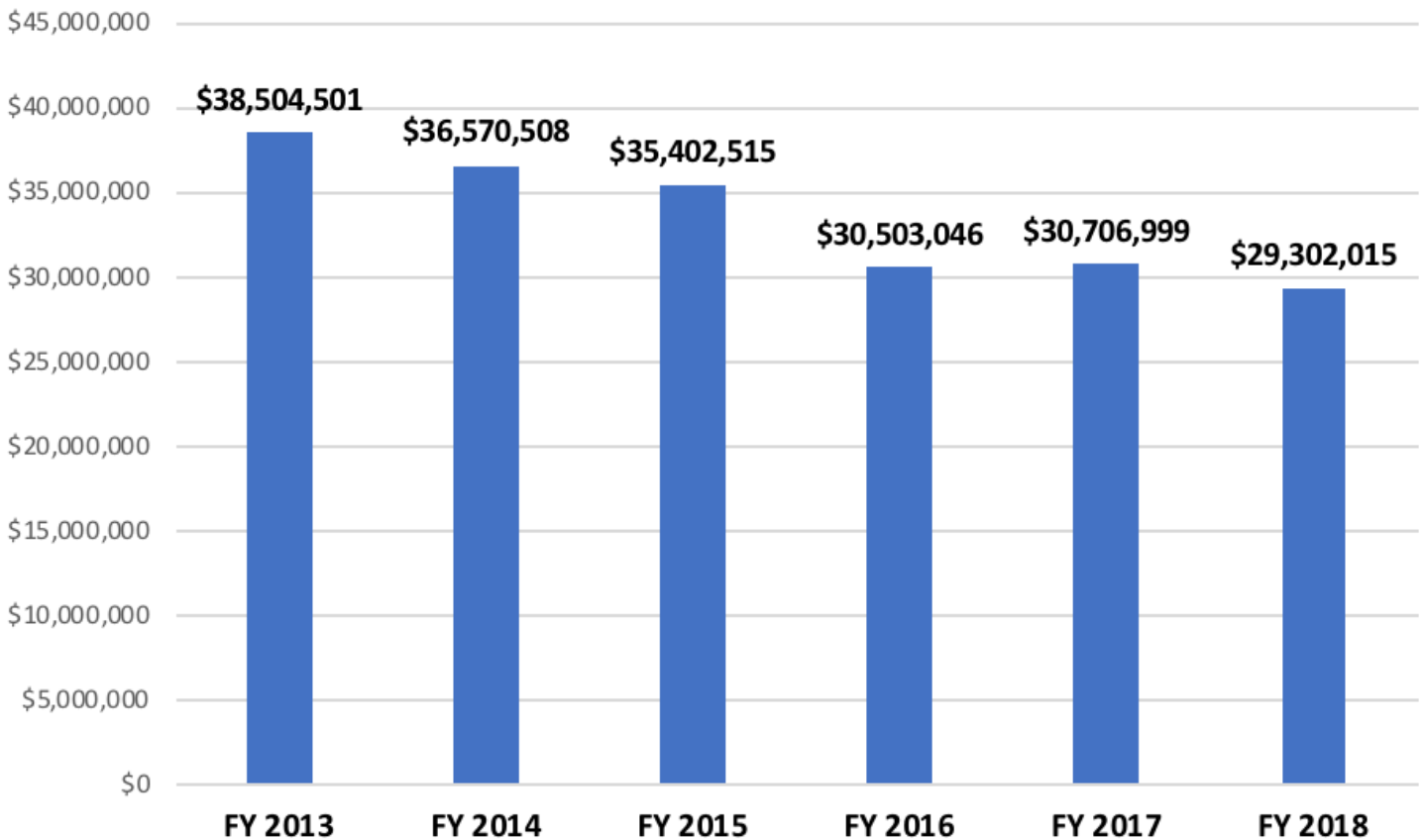


Medical Costs

Total medical costs including hospital and outpatient treatment, physician visits, diagnostics, ancillary services, prescriptions drugs, excluding Medicare Set Asides (MSA) have decreased a total of \$9,202,485 or approximately 23.9 percent from FY13 to FY18. This decrease may be attributed to reductions in the N.C. Industrial Commission Fee Schedule, which establishes maximum charges for

workers' compensation related medical treatment, substantial decrease in the number of new claims filed, and tremendous increase in the number of claim settlements for many claims wherein substantial medical treatment and prescription drugs were necessary. Rapid claim closure and settlements are integral to controlling and continuing to cut medical expenditures.

Total Medical Costs excluding Medicare Set Asides (MSAs) FY13-FY18 Data as of 7/31/18



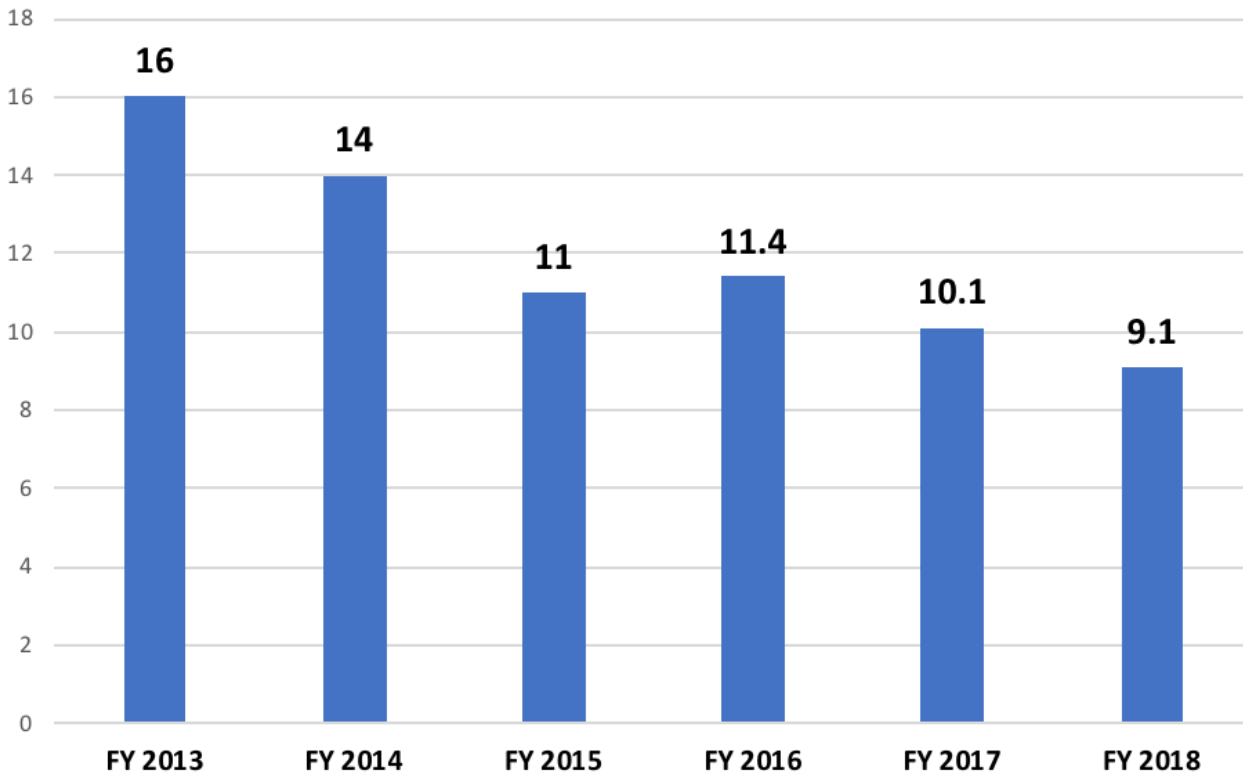
Claim Reporting Lag Time

Claim reporting lag time for all State agencies and universities has decreased approximately 43 percent from FY 2013 to FY 2018. State employees, supervisors, and State agencies and universities are reporting workplace injuries sooner to the State's third-party administrator (CorVel). Early claim reporting generates numerous benefits including expedited claim investigations, faster compensability determinations, and greater likelihood of ongoing medical treatment with preferred and lower cost in-network providers translating into overall claim cost containment.

Faster claim reporting enables assigned claim adjusters to engage in communication with injured employees earlier in the claims handling process to provide them with needed information and allay their concerns regarding what will happen and when. Cultivating a positive employee-adjuster working relationship is essential to generating the best claim outcome possible and substantially reduces the risk of claim related litigation

Average Days from Date of Injury Until Injury Report is Complete for New Injuries that Occurred During that Fiscal Year

Data as of June 30th of each fiscal year



OSHR Partnership with State Agencies, Universities and Community Colleges

OSHR's State Workers' Compensation Manager and Workers' Compensation Consultants are assigned to individual state agencies, universities and community colleges, and engage in the following activities to provide subject matter expertise and technical support for all workers' compensation related matters:

- a. Assess open claims with lost work days for appropriate claims handling on a quarterly basis.
- b. Provide agency level performance metrics.
- c. Generate Job Aids, checklists, process charts, flowcharts, and other resources to aid in workers' compensation claims management.
- d. Provide classroom and online training resources for employees, supervisors, and agency workers' compensation administrators regarding a variety of workers' compensation claims administration topics.
- e. Work in partnership with contracted vendors to address issues/concerns raised by injured employees and agency workers' compensation administrators regarding claims handling matters.

Conclusion

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

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

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

This FY 2018 report was prepared by the Office of State Human Resources,
Division of Safety, Health and Workers' Compensation

JOHN R. BOGNER, JR., *Division Director*

SCARLETTE GARDNER, Esq., *State Workers' Compensation Manager*