

Members of the North Carolina General Assembly,

In 2013, I signed Executive Order (EO) No. 13 which established the statewide Health and Safety Leadership Team. The team's initial goal was to reduce workplace injuries by 10 percent. I am happy to report that as of June 2016 we have almost doubled that initial goal, and we're on track to produce even greater results moving forward!

The Office of State Human Resources (OSHR) has made great use of the appropriated funds, saving taxpayers millions of dollars in future cost avoidance. OSHR Director Neal Alexander and the safety, health and workers' compensation experts within OSHR have worked tirelessly to empower state employees to embrace a statewide culture of safety. With the support of the Health and Safety Leadership Team, OSHR is doing great work ensuring that state employees are educated about workplace hazards and empowered to identify, report, and prevent them.



Workplace safety is the responsibility of everyone, and I have challenged state leaders and safety professionals to continue to find new ways to increase hazard awareness, prevent accidents and injuries, and continue to increase the workplace culture of safety.

I am excited to see what this new fiscal year will bring.

Sincerely,

A handwritten signature in blue ink that reads "Pat McCrory". The signature is written in a cursive, flowing style.

Pat McCrory
Governor

Members of the North Carolina General Assembly,

Pursuant to NCGS §143-583, it is my pleasure to transmit this report describing the activities of the Office of State Human Resources' (OSHR) Safety, Health and Workers' Compensation Division (SHWC) for fiscal year 2016. OSHR is very proud of the great strides that the State Workers' Compensation Program has made since its inception in October 2013.



OSHR greatly appreciates Governor Pat McCrory's leadership in the area of workplace safety and the General Assembly's commitment to the State Workers' Compensation Program over the past two legislative sessions, including the establishment of a line item for fund appropriations for workers' compensation purposes to state agencies and dedicated funds to assist in claim settlements.

In FY16, OSHR, with the assistance of the Office of State Budget and Management and the Office of the State Controller, allocated \$2 million in funds designated for claim settlements, along with funds provided by various state agencies, to settle over 50 workers' compensation claims. The projected future cost avoidance for settling these claims exceeds \$37 million.

The Hazard Hero Program, together with June's Safety Awareness Month activities, has raised the consciousness of state employees on the importance of workplace safety. Many agencies now actively and routinely engage in hazard identification, prevention, and remediation. They have also renewed their commitment to employee safety training in compliance with Chapter 143 Article 63 Workplace Requirements for Safety Health and Workers' Compensation. This increased attention on workplace safety is paying off. Over the past three years, employee injuries have been reduced by 19 percent (per data provided June 30, 2016).

We are determined to build on these successes. The State of North Carolina is committed to on-going efforts to contain workers' compensation costs. We have entered new vendor contracts (effective January 1, 2016), implemented standard operating procedures and best practices for claims management, and increased our education and information sharing efforts to assist agency staff in understanding how best to handle their agency's workers' compensation claims.

Please let us know if you have questions or would like further information regarding OSHR's SHWC activities.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Neal Alexander, Jr.".

C. Neal Alexander, Jr.
Director
Office of State Human Resources

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Introduction & Executive Summary

NCGS §143-583 requires the Office of State Human Resources (OSHR) to annually file this report no later than September 1 of 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.

The Appropriations Act of 2015 (S.L. 2015-241) included several amendments to existing laws regarding the state's delegated authority for the establishment and management of safety, health, and workers' compensation programs. The following is a brief summary of each subsection:



Section 30.18(a) appropriated a statewide reserve of \$23,500,543 for state agency workers' compensation costs, with \$2 million designated for the closure of existing workers' compensation claims. This section also referenced a "line item" for workers' compensation expenditures.

Section 30.18(b) substantially amended Chapter 143, Article 63, previously titled "State Employees Workplace Requirements Program for Safety and Health." This Act expanded the Workplace Requirements Program to also include the State's workers' compensation program. The definition of "state agency" covered by this Article was revised to include the University of North Carolina system, thereby greatly enlarging the scope of covered activities to include many more state employees and facilities.

Most significantly, this Act shifted responsibility for implementation of the state's workplace requirements from each individual state agency and the university system to OSHR. OSHR is now required to author and administer a written program for state employee workplace safety, health, and workers' compensation requirements in accordance with NCGS §143-580 through NCGS §143-583. Responsibility for state agency safety and health committees was also reassigned from each state agency to OSHR to ensure proper administration of the state's workplace requirements for safety and workers' compensation as described in NCGS §143-584.

This Act also specifically directed OSHR to adopt policies and procedures governing the state's workers' compensation program, scrutinize compliance with state workers' compensation law, and generate standards for the delegation of administrative functions as needed for the administration of the workers' compensation program to state agencies.

Section 30.18(d) directed OSHR to provide a report describing the implementation of Sections 30.18 (a) and (b) to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by February 1, 2016.

Section 30.18(e) directed the Department of Administration to reclassify three vacant positions within the department and assign them to OSHR to staff the Workers' Compensation program for implementation of NCGS Chapter 143, Article 63 as amended.

Division Structure

The OSHR Safety, Health and Workers' Compensation (SHWC) Division administers the state's programs pursuant to the guidelines in NCGS Chapter 143, Article 63. Following the transfer of three vacant positions from the Department of Administration, the division's staff currently includes nine full-time equivalent (FTE) positions.

Division Functions

Oversight of Statewide Safety and Health Program, including:

- Consults with agencies and universities in the areas of safety, health and industrial hygiene
- Reviews agency safety policies/programs, and researches and advises agencies on safety-related matters
- Audits agency, university and vendor performance with regard to adherence to safety activities
- Works in partnership with statewide safety professionals as part of the Governor's Health & Safety Leadership Team and the Statewide Safety & Health Steering Committee

Oversight of State Workers' Compensation Program (SWCP), including:

- Administers all vendor contracts for workers' compensation-related services
- Directs claims management and administration practices via establishment of business processes for agencies/universities and vendors
- Monitors vendors' adherence to contract requirements via established performance measures
- Assists agencies and universities with proper claims handling
- Provides in-person and web-based 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
- Handles process for awarding Workers' Compensation Settlement Reserve Funds per Session Law 2015-241, Section 30.18(a)
- Identifies ongoing claims management cost containment opportunities

Summary of FY 2016 Safety Activities

A. Workplace Requirements Safety and Health Survey Results for Agencies and Universities

NCGS §143-583 requires the Office of State Human Resources (OSHR) to annually file this report no later than September 1 of 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. OSHR reviews agencies' and state universities' safety and health program requirements to ensure that all written programs elements are in place.

OSHR has reached out to assist state agencies in completing their workplace safety and health requirements and encouraged the universities to mentor each other.

The following are the summary results from the Workplace Requirements Safety and Health Survey for each agency and university. These results include information from 19 agencies and 13 universities that are not exempt. For each safety program component and/or metric, the possible choices for responses for the status of that component were:

- Completed
- Under Revision
- Needs Assistance

The table below shows a breakdown of the results from each agency that completed the survey.

Agency Workplace Requirements Safety and Health Survey Results			
Elements	Completed	Under Revision	Needs Assistance
1. Hazard Assessments <ul style="list-style-type: none"> • Written Programs • Procedures for medical surveillance • Written system for hazard assessment • Procedures explaining the purpose, use, and maintenance of PPE • Audit/Inspection program • Identification of inspection frequency • Policy for the purchase review of equipment, chemicals, safety equipment, etc. • Procedures and criteria for conducting industrial hygiene surveys • Policy for prioritizing funding to correct unsafe workplace conditions • Policy requiring compliance with all applicable laws, regulations & accepted practices 	10	6	3

Agency Workplace Requirements Safety and Health Survey Results

Elements	Completed	Under Revision	Needs Assistance
2. Authority and Accountability <ul style="list-style-type: none"> • Policy defines and outlines role and responsibility of management, supervisors, and employees within the safety and health program • Annual written goals and objectives for the agency safety and health program • Written emergency preparedness plan/Business Continuity/COOP Plan • Procedure outlining the responsibility and authority to stop work for any unsafe condition • Procedure to evaluate effectiveness or needs of training programs 	11	5	3
3. Safety Communications <ul style="list-style-type: none"> • Written employee safety & health orientation program that identifies hazards inherent to the job and explains hazard assessment, inspection requirements, reporting procedures, and the availability of PPE • Safety and health awareness program (newsletters, handbooks, posters, etc.) 	12	4	3
4. Training <ul style="list-style-type: none"> • Written procedures outlining required training, training frequency and documentation requirements • Training program provided for the purpose, use and maintenance of PPE • Plan to ensure training is conducted at time of initial assignment or reassignment of assigned duties • Procedure used to inform contractors and others of hazards, chemicals & emergency plans in the work area 	11	5	3
5. Incident Reporting and Investigations <ul style="list-style-type: none"> • Procedure for accident/incident reporting • Procedure for prompt investigation of accident/incident or near hits • Procedure to ensure timely correction & interim controls of identified hazards • Written procedure for accident reporting & receiving medical treatment for on-the-job injuries and illnesses • Procedure includes how, where, and who will provide medical treatment 	14	4	1
6. Enforcement and Implementation <ul style="list-style-type: none"> • Program for safety & health policies and procedures consisting of such communication tools as manuals and handbooks • Procedures for disciplinary action when employee fails to follow established safety and health rules 	12	4	3
7. Complaint Process <ul style="list-style-type: none"> • Written policy for safety and health complaint reporting without fear of retaliation or reprisal. 	12	4	3

Agency Workplace Requirements Safety and Health Survey Results			
Elements	Completed	Under Revision	Needs Assistance
8. Safety Committees <ul style="list-style-type: none"> • Top Level Agency Safety Committee • Multi-layered Safety and Health Committee Organizational Structure if more than 300 employees • Number of employee representatives meets requirements • Field operations represented • Meet at least once every three months • Meeting minutes maintained and circulated or posted • Written recommendations forwarded to agency head 	13	4	2
9. Wellness Program <ul style="list-style-type: none"> • Wellness Leader • Wellness Committee 	12	3	4

The table below shows a breakdown of the results from each university that completed the survey.

University Workplace Requirements Safety and Health Survey Results			
Elements	Completed	Under Revision	Needs Assistance
1. Hazard Assessments <ul style="list-style-type: none"> • Written Programs • Procedures for medical surveillance • Written system for hazard assessment • Procedures explaining the purpose, use, and maintenance of PPE • Audit/Inspection program • Identification of inspection frequency • Policy for the purchase review of equipment, chemicals, safety equipment, etc. • Procedures and criteria for conducting industrial hygiene surveys • Policy for prioritizing funding to correct unsafe workplace conditions • Policy requiring compliance with all applicable laws, regulations & accepted practices 	5	7	1
2. Authority and Accountability <ul style="list-style-type: none"> • Policy defines and outlines role and responsibility of management, supervisors, and employees within the safety and health program • Annual written goals and objectives for the agency safety and health program • Written emergency preparedness plan/Business Continuity/COOP Plan • Procedure outlining the responsibility and authority to stop work for any unsafe condition • Procedure to evaluate effectiveness or needs of training programs 	8	5	

University Workplace Requirements Safety and Health Survey Results

Elements	Completed	Under Revision	Needs Assistance
3. Safety Communications <ul style="list-style-type: none"> • Written employee safety & health orientation program that identifies hazards inherent to the job and explains hazard assessment, inspection requirements, reporting procedures, and the availability of PPE • Safety and health awareness program (newsletters, handbooks, posters, etc.) 	10	3	
4. Training <ul style="list-style-type: none"> • Written procedures outlining required training, training frequency and documentation requirements • Training program provided for the purpose, use and maintenance of PPE • Plan to ensure training is conducted at time of initial assignment or reassignment • Procedure used to inform contractors and others of hazards, chemicals & emergency plans in the work area 	7	6	
5. Incident Reporting and Investigations <ul style="list-style-type: none"> • Procedure for accident/incident reporting • Procedure for prompt investigation of accident/incident or near hits • Procedure to ensure timely correction & interim controls of identified hazards • Written procedure for accident reporting & receiving medical treatment for on-the-job injuries and illnesses • Procedure includes how, where, and who will provide medical treatment 	9	4	
6. Enforcement and Implementation <ul style="list-style-type: none"> • Program for safety & health policies and procedures consisting of such communication tools as manuals and handbooks • Procedures for disciplinary action when employee fails to follow established safety and health rules 	10	3	
7. Complaint Process <ul style="list-style-type: none"> • Written policy for safety and health complaint reporting without fear of retaliation or reprisal. 	8	5	
8. Safety Committees <ul style="list-style-type: none"> • Top Level Agency Safety Committee • Multi-layered Safety and Health Committee Organizational Structure if more than 300 employees • Number of employee representatives meets requirements • Field operations represented • Meet at least once every three months • Meeting minutes maintained and circulated or posted • Written recommendations forwarded to agency head 	6	7	
9. Wellness Program <ul style="list-style-type: none"> • Wellness Leader • Wellness Committee 	8	4	1

B. NC Department of Labor (DOL) Inspection Activity regarding citations & fines for State Agencies and Universities in FY 16

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

Description	State Government
Total Inspections Listed	45
Total Inspections Conducted	41
Total Inspections with Citations	16
Total Inspections without Citations	25
Total Citations Issued	44
Total Initial Penalty Assessed	\$96,875.00
Total Current Penalty Assessed	\$95,050.00

Open Date	Inspection Number	Establishment Name	Total Violations	Other Violations	Initial Penalty	Current Penalty	Paid Penalty	Close Date
7/20/2015	318000767	Yancey County Schools - Transportation Department	10	9	\$2,400	\$2,400	\$2,400	8/31/2015
8/19/2015	318003506	NCDOT, North Carolina State Ports Authority	1	0	\$825	\$0	\$0	4/1/2016
9/14/2015	318005576	Winston Salem State University	5	3	\$3,900	\$2,900	\$2,900	12/17/2015
1/29/2016	318031986	N C Department of Public Safety - Adult Correction	2	0	\$1,125	\$1,125	\$1,125	3/4/2016
2/1/2016	318032182	NCDOT, North Carolina State Ports Authority	2	1	\$10,500	\$10,500	\$10,500	6/29/2016
2/4/2016	318032398	NC State University, Facilities Operations	2	0	\$77,000	\$77,000	\$0	Open
3/16/2016	318057122	N.C. Department of Agriculture and Consumer Service	1	0	\$1,125	\$1,125	\$0	Open
Total Inspections Listed: 7			23	13	\$96,875	\$95,050	\$16,925	

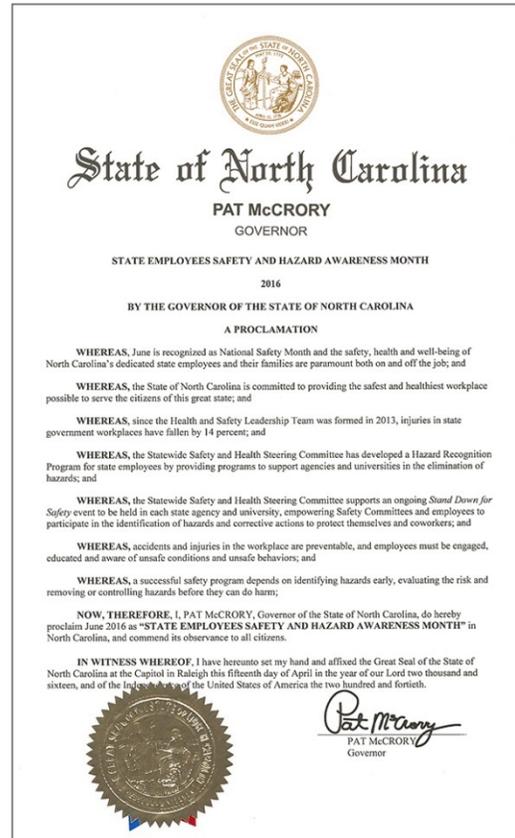
This list includes only agencies, universities or organizations that were levied a financial penalty by the Department of Labor.

C. June Proclamation: Safety and Hazard Awareness Month

Governor Pat McCrory proclaimed June as **Safety and Hazard Awareness Month** in North Carolina. Since the creation of the Governor's Health and Safety Leadership Team in 2013, tremendous strides in workplace safety have taken place. Injuries are down over 19 percent and the state is on track to reduce them even further this year. The SHWC Division heavily promoted the Governor's proclamation statewide as the kick-off to June Safety Month activities. A video message from the Governor was sent to all employees via email to reinforce the importance of management support for workplace safety.

During June Safety Month, SHWC encouraged state agencies and universities to sponsor a "**Safety Stand Down**" to increase safety awareness amongst their employees. A Stand Down is a brief scheduled event during which employees are encouraged to seek out potential workplace hazards and document them online at hazards.nc.gov.

Alternately, employees may complete paper "Hazard Hero" forms and turn them into their supervisor. Managers and supervisors then coordinate with agency safety leaders to correct identified hazard(s) and recognize employees who identified them via certificates and their agency websites. The SHWC Division has heavily publicized these agency Safety Stand Downs with the Governor's Health and Safety Leadership Team and Safety and Health Steering Committee meetings.



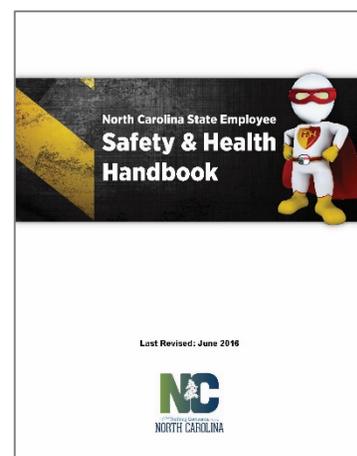
[Safety & Hazard Awareness Month Proclamation](#)

D. Safety and Hazard Education and Training

The Employee Safety and Health Handbook has been newly updated with a user-friendly format including Best Practices and Hazard Hints to keep state employees safe wherever they work.

OSHR partnered with DOA to conduct Occupational Safety and Health Administration (OSHA) 10 Hour safety training classes for 37 Facilities Management Division staff. OSHR staff trained 25 state employees in American Red Cross First Aid/CPR/AED. More classes are scheduled for later this year.

At the Governor's Health and Safety Leadership Team and Steering Committee meetings, SHWC continually promotes the importance of creating a statewide culture of safety that includes ongoing safety training and hazard awareness. The SHWC Division is gathering a statewide list of authorized



[Safety Handbook](#)

trainers with specific subject matter expertise to assist agency and university safety leaders with planning for ongoing safety trainings.

SHWC Division staffed a booth at the OSHR Wellness and Safety Expo focused on employee identification of safety hazards. Examples of hazards were displayed and employees were asked to identify the hazard. Hundreds of employees identified hazards and answered basic safety questions.

SHWC Division staff conducted 44 ergonomic evaluations and two Lunch and Learns at state agencies and universities. Ergonomic evaluations were conducted both as a result of employee reports of discomfort at their workstation and as a preventative measure to reduce potential future injuries. The Lunch and Learns were conducted as another way to educate employees on the importance of using ergonomics at home as well as at work. SHWC Division staff are helping agencies train and establish their own ergo evaluation teams so continued evaluations can be conducted by agency personnel.

E. National Recognition

The OSHR “**Be a Hazard Hero**” Program was selected by the Southern Legislative Conference (SLC) as one of six finalists for their State Transformation in Action Recognition (STAR) program award. The SLC fosters and encourages intergovernmental cooperation among its member states and its STAR awards identify and promote innovative ideas and programs. The Hazard Hero Program was selected from 30 nominations from 15 member states based on creativity, impact, transferability and effectiveness.

The “Be a Hazard Hero Program” is a safety and hazard recognition program that raises state employee awareness of safety hazards and encourages them to take an active role in their own safety. When state employees identify a potential hazard, there are systems in place for them to report the hazard and have it addressed. The program has shown impressive measurable results. Injuries are down over 19 percent, lost work days have been reduced by over 30 percent, and there has been an \$8 million reduction in injury-related medical costs between FY13 and FY16.



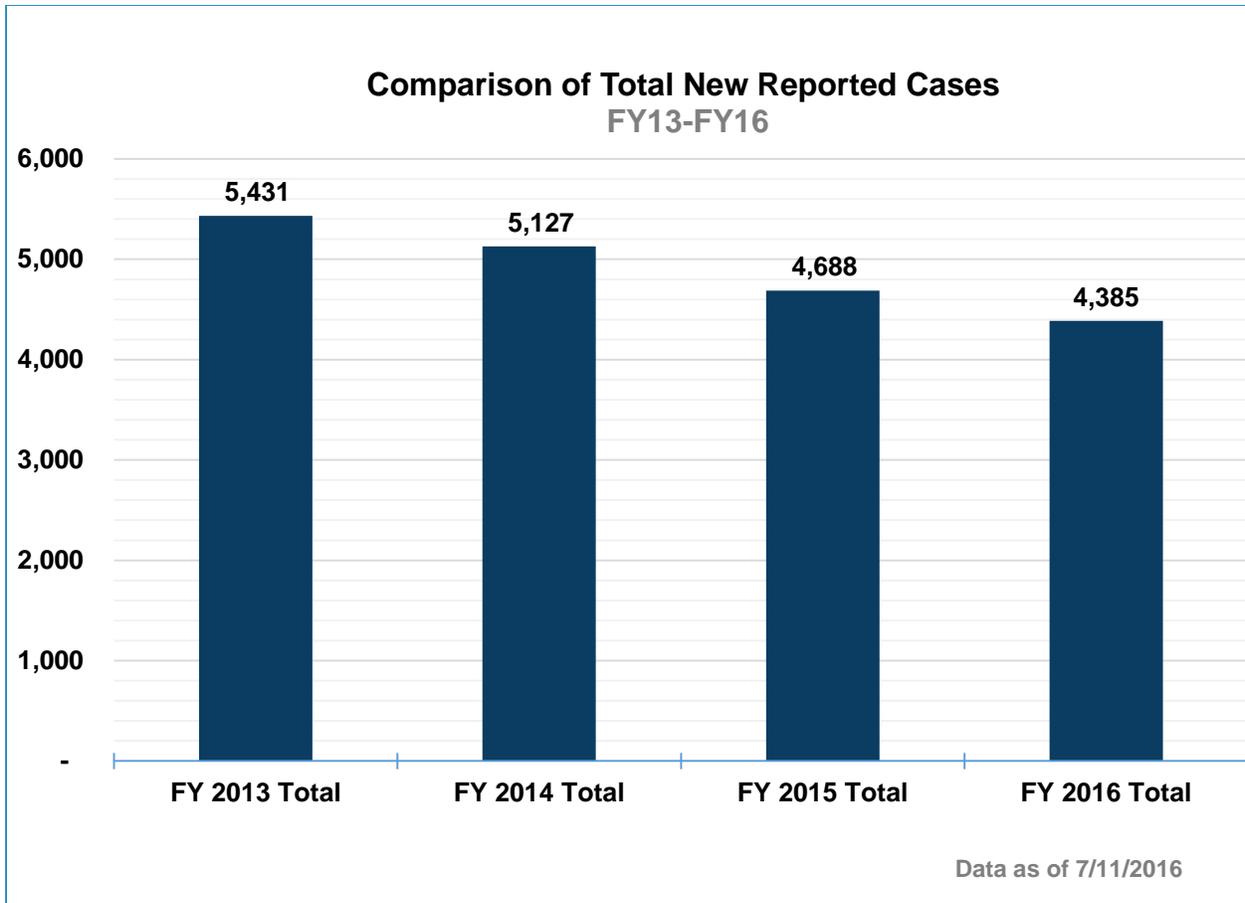
John R. Bogner, Jr., Director, Division of Safety, Health & Workers' Compensation at OSHR presenting before the STAR Award Selection Committee at the Southern Legislative Conference's annual meeting in Lexington, KY.

Summary of FY 2016 Workers' Compensation Activities

The daily and long-term administration of State Workers' Compensation Program (SWCP) claims involves collaboration by OSHR SHWC staff, state agency HR staff, and contracted vendors seeking to fully implement adopted best practices for claims management. SWCP performance metrics indicate progress is being made to improve claim outcomes, cut claim costs, and maximize projected future cost avoidance. The charts below highlight especially relevant quantifiable trends. Increased OSHR and agency involvement in day to day claims management working in collaboration with contracted vendors has also yielded many intangible results that are contributing to overall program improvement.

New Workers' Compensation Vendor Contracts

OSHR entered into three-year contracts administered by the SHWC Division effective January 1, 2016. These contracts will generate approximately \$1.7 million in savings each year. Vendors were selected to provide statewide claims services.

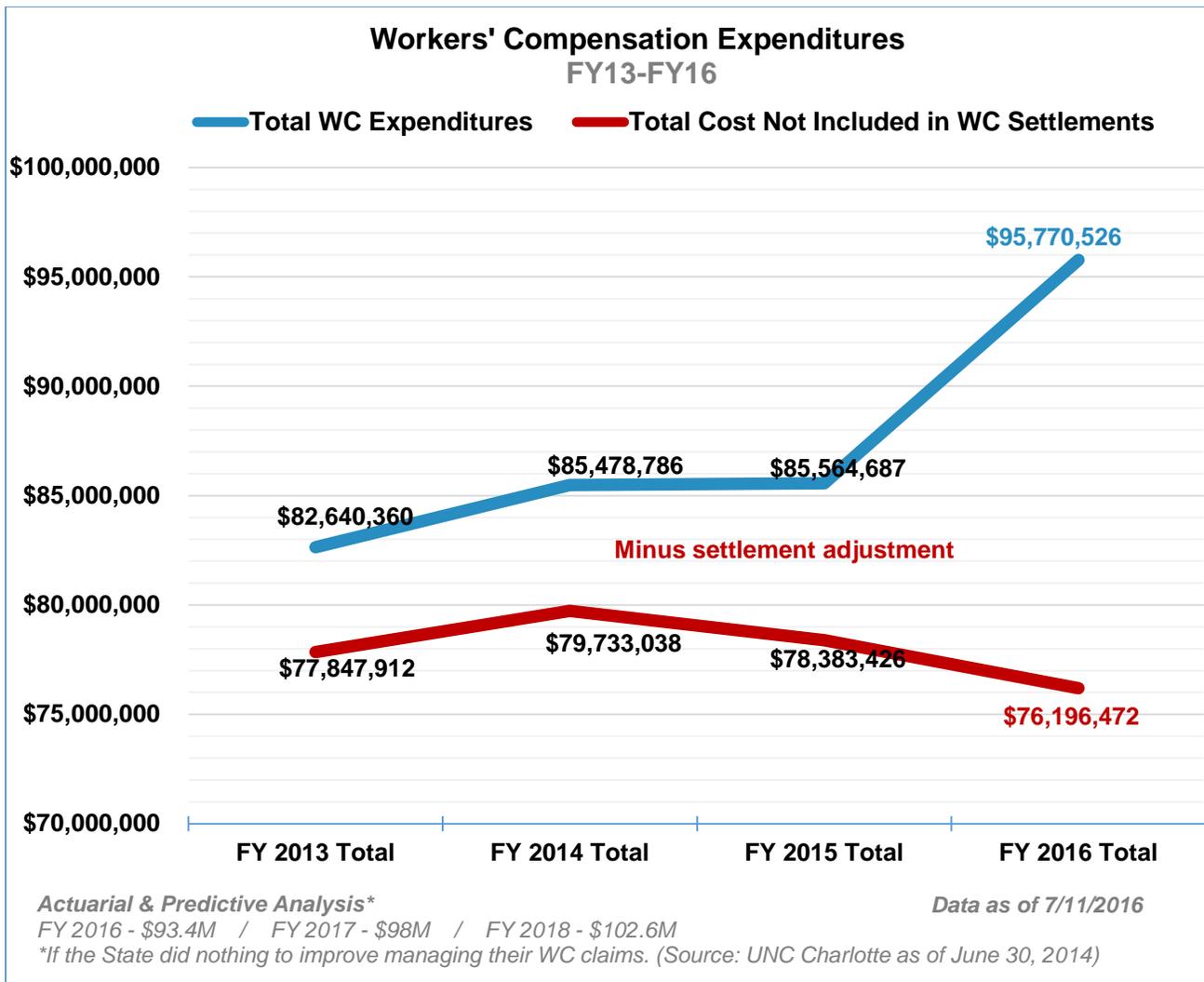


Continuous Improvement - Number of Total Claims Continues to Decline in FY16

FY2013-15: 14% Reduction in Workplace Injuries

FY2013-16: 19% Reduction in Workplace Injuries

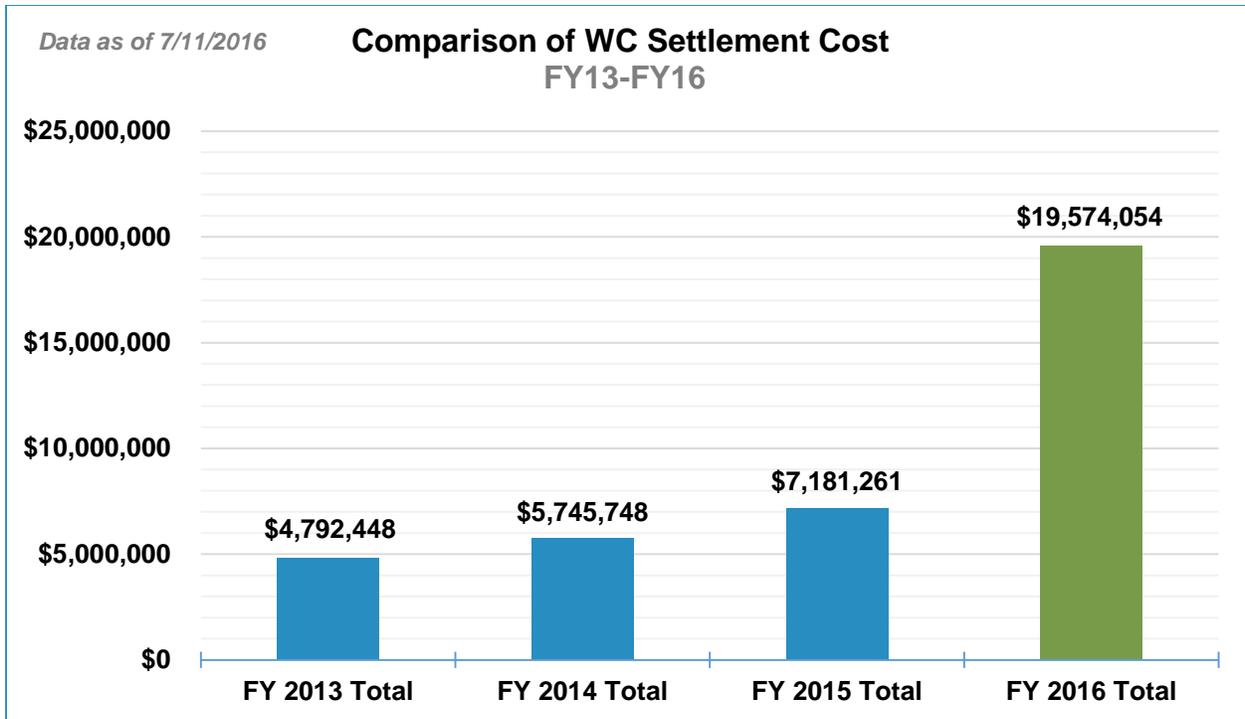
The 4,385 new claims filed in FY16 represents a 19 percent decline over the past three fiscal years. This reduction indicates that employees and employers are paying greater attention to workplace hazards and addressing them before an injury occurs. The SWCP covers approximately 125,000 state employees as of June 30, 2016; 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.



Increased Total Workers' Compensation Expenditures for Claim Settlements Will Yield Future Cost Savings

The increase in total workers' compensation expenditures for FY16, \$95,770,526, over FY15, \$85,564,687 is largely attributable to the sharp increase in the number and type of final claim settlements. With the adjustment for claim settlements, overall total workers' compensation expenditures actually decreased from \$78,383,426 to \$76,196,472, a total cost savings of \$2,186,954 from FY15 to FY16. These savings are attributable to increased implementation of OSHR standard operating procedures for claims management followed by state agencies, newly implemented vendor contracts effective January 1, 2016, and changes in NCIC Medical Fee Schedule reimbursement rates.

Several agencies have implemented or are currently in the process of implementing extensive in-house workers' compensation claims management operations to fully recognize cost-saving opportunities that come from paying close attention to all pending claims. In addition, some agencies are now making concerted efforts to settle claims as soon as practicable recognizing opportunities for considerable potential claim cost savings by settling now versus paying benefits for many years into the future.

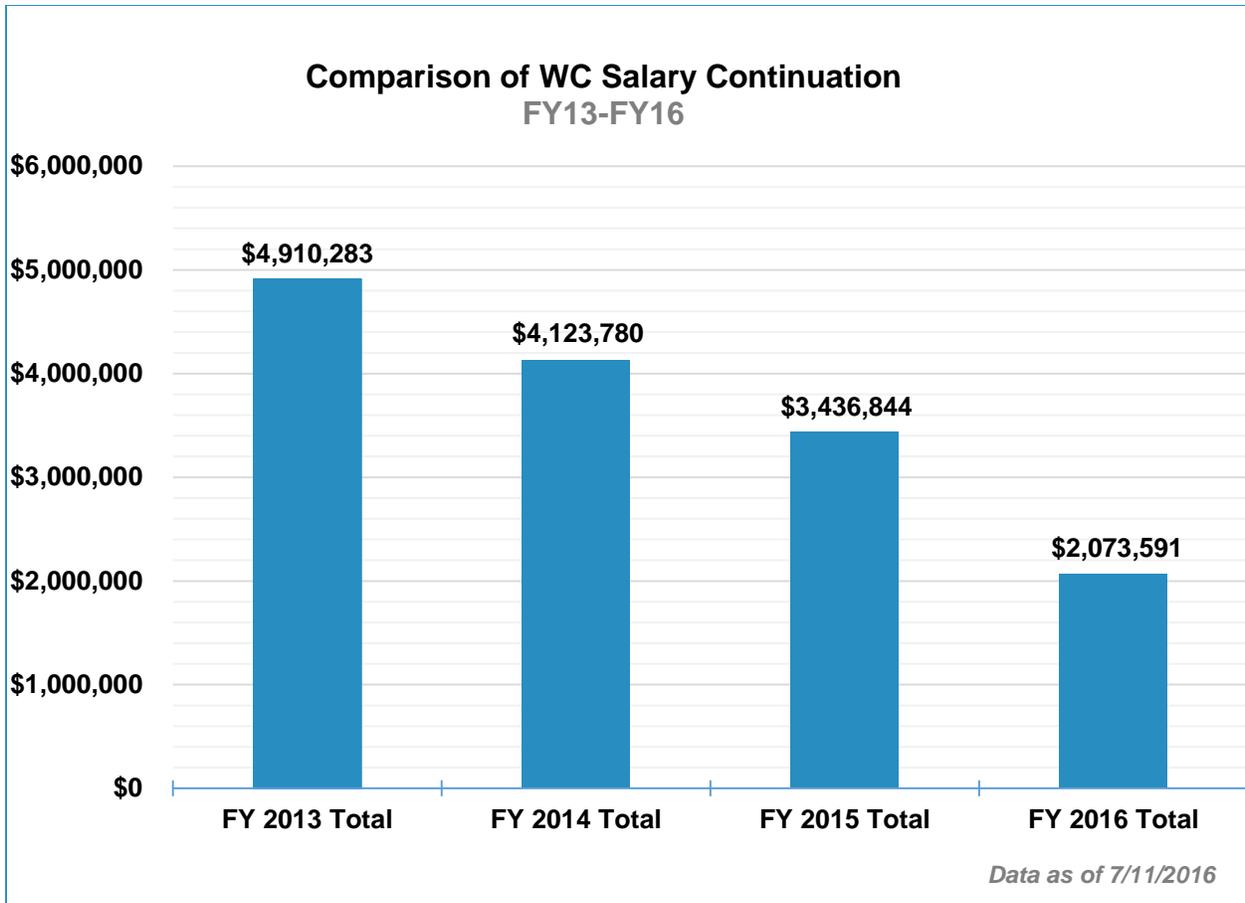


The substantial increase in final claim settlements between FY15 and FY16 has resulted in tremendous increases in projected future cost avoidance for the SWCP. More specifically from FY15 to FY16, state agencies increased settlement expenditures by approximately 173 percent with an approximate 1,059 percent increase in projected future cost avoidance as detailed below.

	Number of Settlements	Settlement Costs	Cost Avoidance
FY 2015	191	\$7,181,261	\$5,712,632

	Number of Settlements	Settlement Costs	Projected Future Cost Avoidance
FY 2016	352	\$19,574,054	\$66,207,101

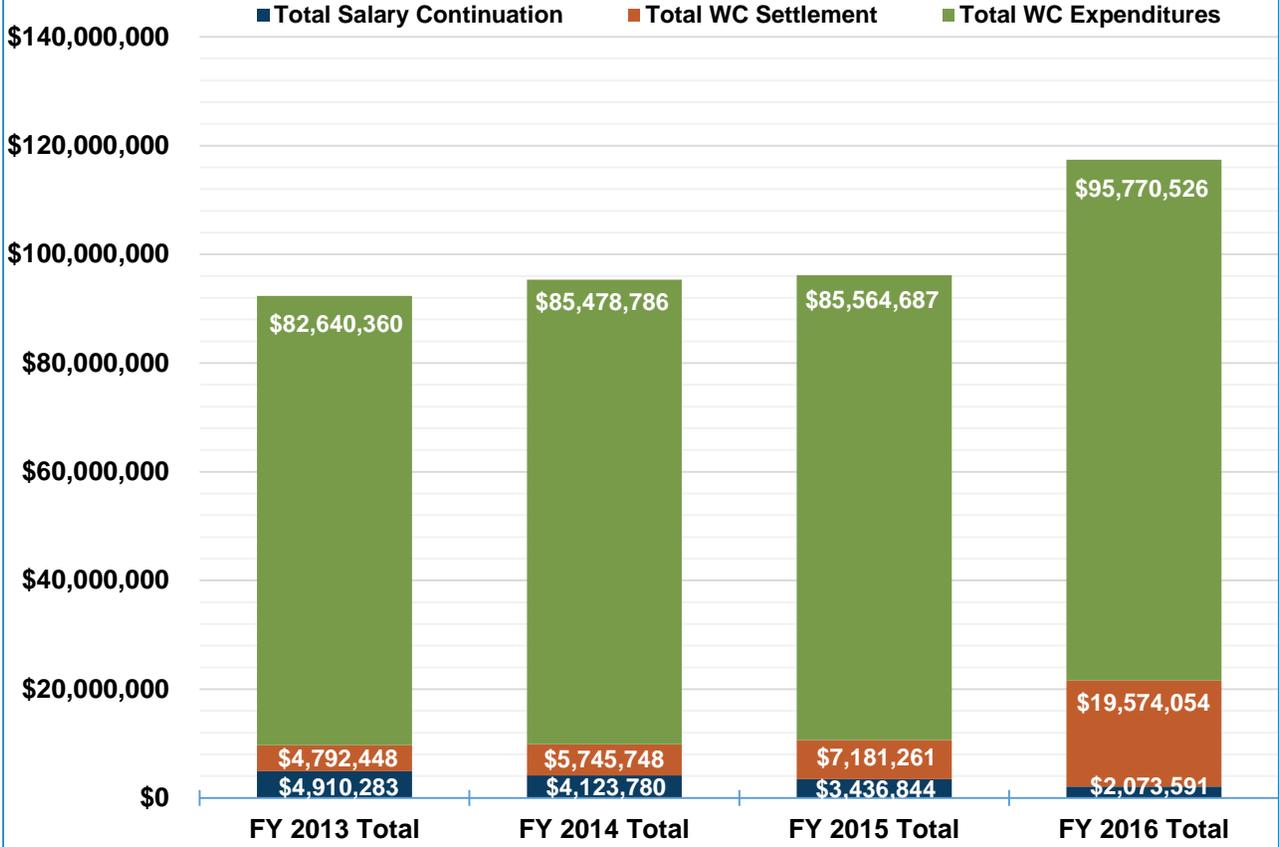
OSHR is working closely with state agencies to identify claim settlement opportunities. SHWC continues to educate agencies regarding the high future cost-avoidance potential associated with settling certain claims, especially those with high projected future indemnity and low projected future medical costs.



**Salary Continuation Payments Steadily Declining
\$2,836,692 Reduction Since 2013**

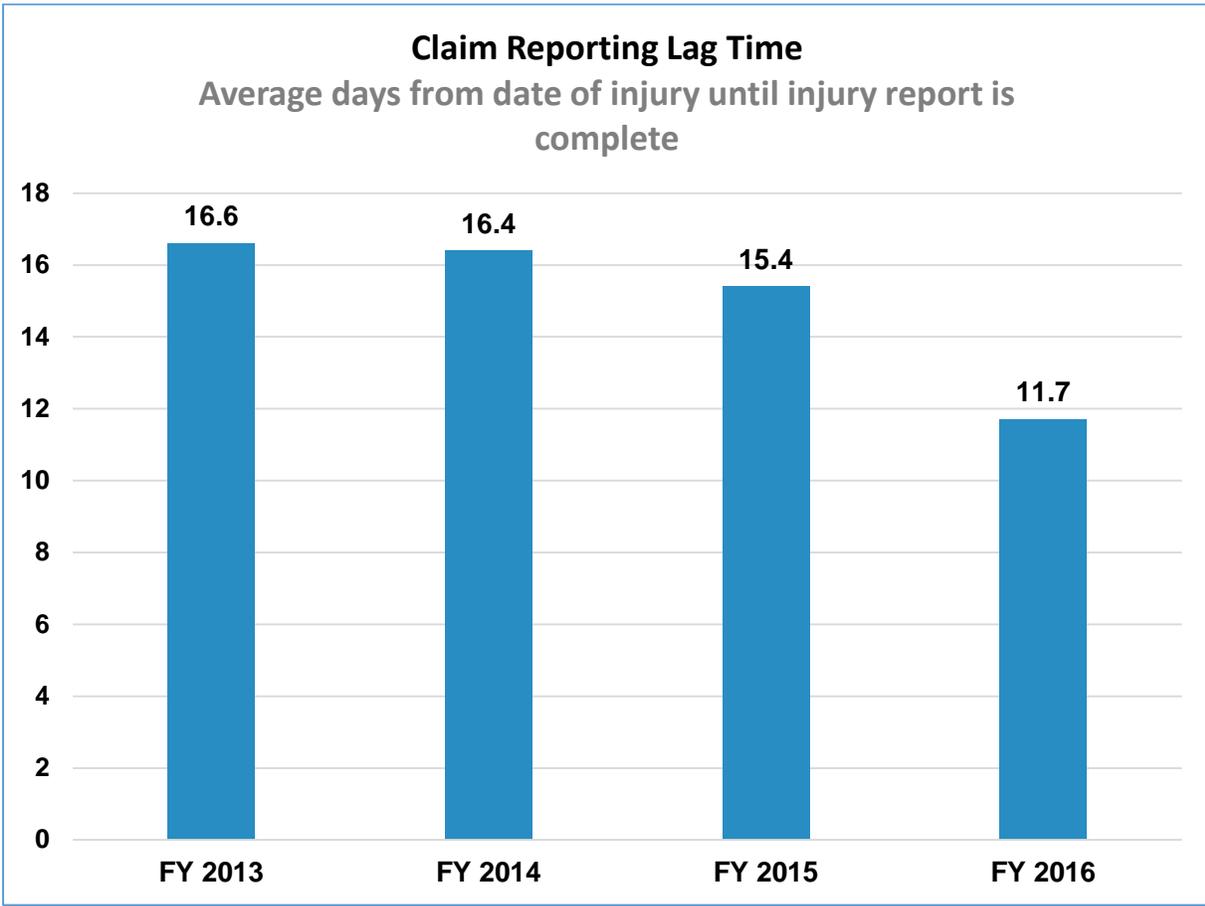
Salary continuation payments have steadily declined since the statute (S.L. 2014-100) was amended effective October 1, 2014; the substantive text changes are in 35.12(a) and effective date of October 1, 2014, is in 35.12(b). Further clarifications became effective September 18, 2015, that provide such benefits in claims wherein the injury is due to an episode of violence, resistance, or due to other special hazards that occur while the eligible person is performing official duties (S.L. 2015-241). In addition, the dollar amounts of salary continuation payments are now statutorily limited to the eligible person's base pay which has also reduced overall salary continuation costs (S.L. 2015-241). This overall decrease in salary continuation payments translates into an increase in regular workers' compensation indemnity payments as persons previously eligible are now limited to receiving the statutory $66\frac{2}{3}$ percent of average weekly wages temporary total disability benefits for lost time from work.

Comparison of Total WC Expenditures, Settlements and Salary Continuation FY13-FY16



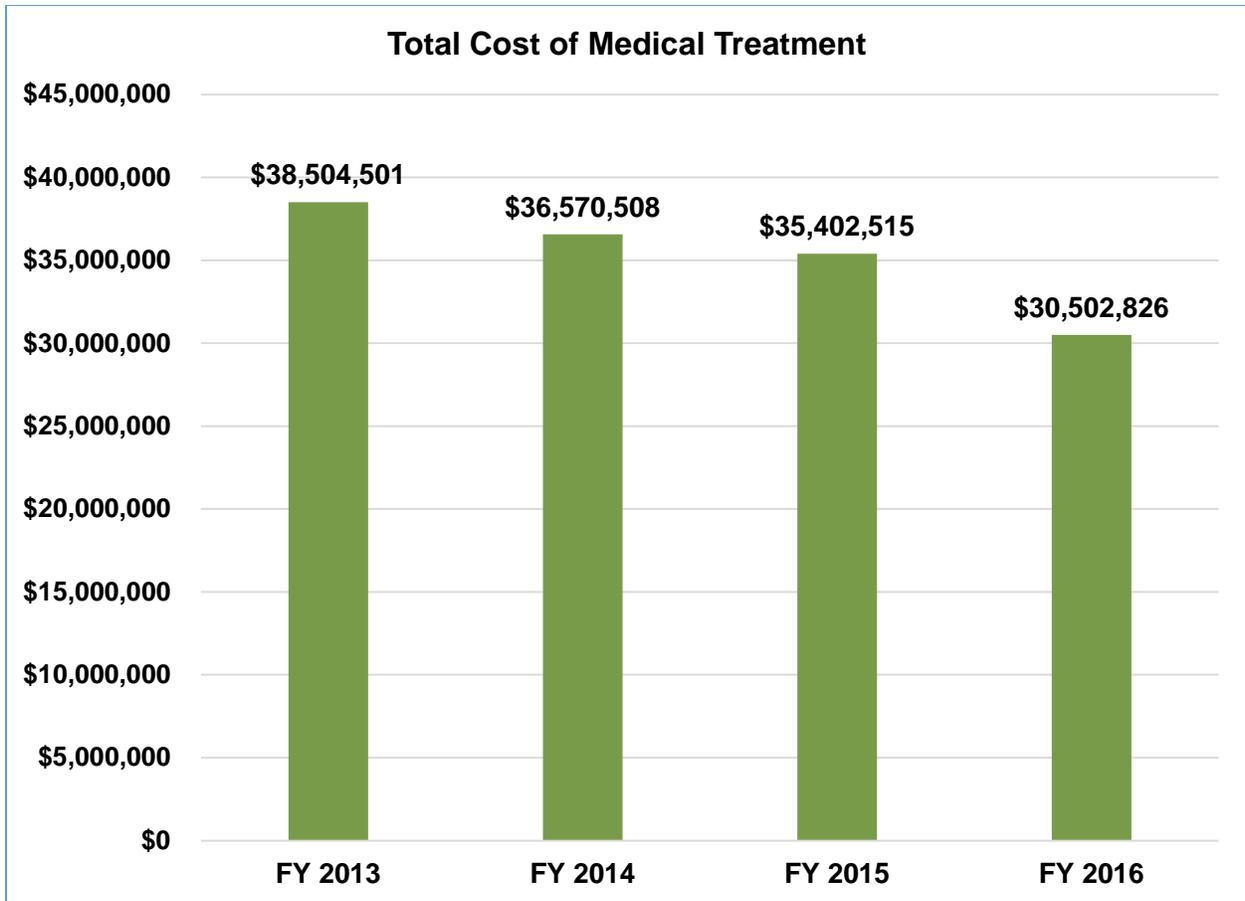
Cost Reduction for Salary Continuation \$2.8 million FY13-16

Data as of 7/11/2016



Claims Reporting Lag Time Decreased Significantly
29.5 Percent Reduction Since 2013

Claim reporting lag time for all state agencies has decreased 29.5 percent from FY13 to FY16. This indicates state agencies are making great strides to educate employees and supervisors to promptly report workplace injuries so they can be properly handled. Faster claim reporting enables the State’s third party administrator, CorVel, to ensure that all injured employees receive the prompt medical treatment for their work-related condition. This promotes faster healing, return-to-work, and overall cost containment through competent claims administration throughout the course of the claim.



Medical Costs Declining

\$8,001,675 Reduction in Costs Since 2013

The 21 percent decline in total medical costs from FY13 to FY16 which includes hospital and outpatient treatment, physician visits, prescription drugs, case management, and Medicare Set Aside (MSA) payments required to settle claims may be attributed to several factors:

- Implementation of revised NC Industrial Commission Medical Fee Schedules for Institutional Services and Professional Services.
- Decreased pharmacy reimbursement rates for brand and generic drugs effective January 1, 2016, combined with 96 percent pharmacy network utilization.
- Decreased flat rate bill review charges from \$8.25 per bill to \$6.50 per bill and reduced PPO percentage of savings charges from 25 percent to 22 percent effective January 1, 2016.
- Many claims with high monthly medical costs closed via final settlement cutting off SWCP liability for those expenses.

\$2 Million Settlement Reserve Fund Allocation Process Administered by OSHR

The Appropriations Act of 2015 set aside \$2 million for “*the closure of existing workers’ compensation claims.*” (S.L. 2015-241). OSHR, in conjunction with OSBM and the Office of State Controller, has 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 are eligible to apply for settlement funds on an individual, per claim basis. In November 2015, OSHR provided each agency/university with a list of potentially eligible claims for review. Many agencies/universities responded by providing OSHR with claims to add or delete from this list. The agency application filing period opened on December 1, 2015, and ended on May 15, 2016. OSHR engaged in weekly meetings to assess each Settlement Reserve Funds application individually and determine if any funds should be provided for claim settlement.

Below is the status of applications received and Settlement Reserve funds approved by OSHR as of August 19, 2016.

Total applications received	145
Number of claims approved for Settlement Reserve Funds	57
Number of claims allocated Settlement Reserve Funds that have settled as of August 19, 2016	55
Total dollar cost of settlements for 55 settled claims	\$5,503,663
Total projected future cost avoidance associated with these 55 settled claims	\$37,223,334

OSHR’s decision-making process for distributing these funds includes, at a minimum, assessment of the following factors and any other pertinent information to determine the potential future cost savings that would result from the settlement of an individual claim:

- a. Employee’s age and statutory life expectancy, based upon NCGS §8-46
- b. Number of workers’ compensation claims filed by the employee while employed by the state
- c. Employee’s pre-injury position title and job description
- d. Employee’s average weekly wage, weekly compensation rate, and whether injury qualified for salary continuation benefits
- e. Length of employee’s entitlement to ongoing workers’ compensation disability benefits (if claim is not settled)
- f. Documented efforts to return the employee to work
- g. Employee’s return-to-work potential
- h. Employee’s current medical condition related to the workers’ compensation claim
- i. Employee’s comorbidities (i.e., presence of one or more diseases or disorders co-occurring with a primary disease or disorder) or other medical conditions unrelated to the workers’ compensation claim, if applicable
- j. Employee’s projected future medical treatment related to the workers’ compensation claim
- k. Whether the claim settlement includes the employee’s resignation, if still employed with the State
- l. Whether the employee is retired
- m. Whether the employee is eligible for or receiving Long-Term Disability benefits

- n. Whether the employee is currently receiving, has applied for, is appealing a denial, or plans to apply for Social Security Disability (SSDI) benefits in the near future
- o. Whether Medicare Set Aside Agreement (MSA) will be required and dollar amount to be included in the claim settlement, if already calculated
- p. Prior Industrial Commission Orders, Opinions and Awards, Consent Agreements, or Consent Orders on record for the claim
- q. Pending litigation and issues to be determined included on the Industrial Commission Form 33 Request for Hearing and/or Form 33R Response to Request for Hearing
- r. Projected future litigation
- s. Total dollar amount of expenditures already paid for the claim, including breakdown into separate amounts spent for indemnity, medical, and allocated expense costs
- t. Total dollar amount of current claim reserves, including breakdown into separate amounts projected to be paid for future indemnity, medical, and allocated expenses
- u. Projected total dollar amount of lifetime exposure for all potential future costs related to claim
- v. Name of employee's attorney and whether the attorney is currently receiving an ongoing attorney's fee

OSHR receives the above data from the following sources: agency application forms, current claim settlement evaluation prepared by the state's third party administrator, CorVel, and Attorney General's Settlement Approval Memo for all claims with settlements projected to exceed \$74,999. OSHR also requests additional information from the agency or consults the claim file when needed to fully complete an individual claim assessment.

Technical Assistance to Agency/University Workers' Compensation Administrators

OSHR's Workers' Compensation Program Managers are assigned to individual state agencies and universities and engage in the following activities to ensure the State's Workplace Requirements in NCGS §§143-582 through 143-584 are being achieved for workers' compensation.

The SHWC Division's Safety Director, Safety and Health Manager and State Safety Consultant provide ongoing consultation and assistance to all state agencies/universities to ensure the State's Workplace Requirements in NCGS §§143-582 through 143-584 are being achieved for safety and health. The SHWC Division's Workers' Compensation Program Managers provide the following services:

- a. Serve as resource for agency workers' compensation administrator and vendor inquiries.
- b. Communicate with third party administrator, Department of Justice-Workers' Compensation Division, and others regarding claims management issues.
- c. Engage in internal communication to ensure safety and workers' compensation staff are meeting the State's Workplace Requirements.

Cost Containment

OSHR communicates daily with state agencies and vendors to promote overall claim cost containment by:

- a. Reviewing open claims for cost-containment potential, fraud, abuse, compliance with claims management standards, when closure is appropriate, etc.
- b. Working directly with vendors to ensure contract compliance and improve performance.
- c. Gathering data and design measures to analyze State Workers' Compensation Program performance by agencies and vendors.

Return-to-Work Program Implementation

Throughout FY 2016 and 2017, OSHR's Workers' Compensation Program Managers will be focused on ensuring each agency and university has a comprehensive and fully-implemented Return-to-Work Program. Agencies and universities are currently at varying stages of adoption of such programs.

Comprehensive Return-to-Work programs should be maintained in each agency to instill a "Return-to-Work Culture" in employees, supervisors, and management.

Major Agency and University Return-to-Work Program goals are as follows:

1. Maintain a continuously updated list of light/modified duty and "make work" available for injured employees assigned temporary work restrictions who have not yet reached maximum medical improvement (MMI) for their injury
2. Detailed post (MMI) planning, including potential job accommodations, a labor market survey, and/or vocational rehabilitation, to begin immediately when an agency learns an injured employee will likely be issued permanent work restrictions related to their injury upon reaching maximum medical improvement
3. Ongoing education of all employees, supervisors, managers, and human resources personnel regarding return-to-work expectations
4. Ongoing measurement and assessment of the effectiveness and cost savings resulting from the agency and university Return-to-Work Program

Ongoing Education/Training

OSHR's Workers' Compensation Program Managers provided 14 interactive, experiential learning-based workers' compensation training sessions to approximately 350 state employees from January through March 2016.

This training program, *Managing Your Claims: Part 1*, covered the following topics critical to compliance with NCGS §§143-582 through 143-584:

1. Initial Injury Handling and Reporting
2. Incident Investigations
3. Claim Acceptance and Denial Decisions
4. Return-to-Work
5. Workers' Compensation Benefits, Leave, and Effect on Other Benefits
6. Claims Monitoring
7. Detecting Fraud and Abuse
8. Close Claims Timely and Fairly
9. Recording Workers' Compensation Actions in BEACON
10. Performance Measures

This class was created for workers' compensation administrators, supervisors, managers, and other human resources personnel that regularly report or manage workers' compensation claims to provide them with claims handling laws, procedures, and best practices. OSHR has provided two additional sessions of this program in the first quarter of FY 2017. OSHR plans to provide this training at least twice yearly to all new hires and others in need of this training.

The SHWC Division is partnering with the NC Department of Justice Workers' Compensation Section to provide detailed training on preferred claims handling practices and litigation handling to all CorVel adjusters and primary agency workers' compensation administrators in August 2016.

In addition, the OSHR Workers' Compensation webpage, www.workerscomp.nc.gov, has recently been redesigned and now includes many new and revised checklists, job aids, and other resources for injured employees and workers' compensation administration. Some highlights are as follows:

1. **Standard Operating Procedures:** a series of detailed instructions for handling situations that commonly arise in the course of claim handling that specifically state the roles and responsibilities of the injured employee, employing agency, third party administrator, Attorney General's office, etc.
2. **Return-to-Work Program Implementation Guide:** a how-to guide for each agency to implement a customized return-to-work program to ensure injured employees return to work once released to do so by their authorized treating medical provider;
3. **Business Process Charts:** a series of step-by-step charts detailing basic claim handling processes such as reporting claims, return-to-work, claim settlement, etc.

The BEACON LMS system also includes resources in the HR Learning Zones to assist employees, supervisors, managers, and Human Resources staff with claims reporting, investigation, and management.

Conclusion

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

The Workers' Compensation Settlement Reserve Fund is aiding agencies with closure of open workers' compensation claims resulting in decreases in overall claim costs and tremendous increases in anticipated future cost avoidance. OSHR looks forward to providing ongoing leadership in coordinating these efforts with all state agencies and universities by overseeing program implementation, tracking accountability via performance measures, and providing training opportunities and online resources for employees at all levels.

