
Workers' Compensation Study

Prepared By:

Office of State Budget and Management

In consultation with

Office of State Personnel

Office of State Controller

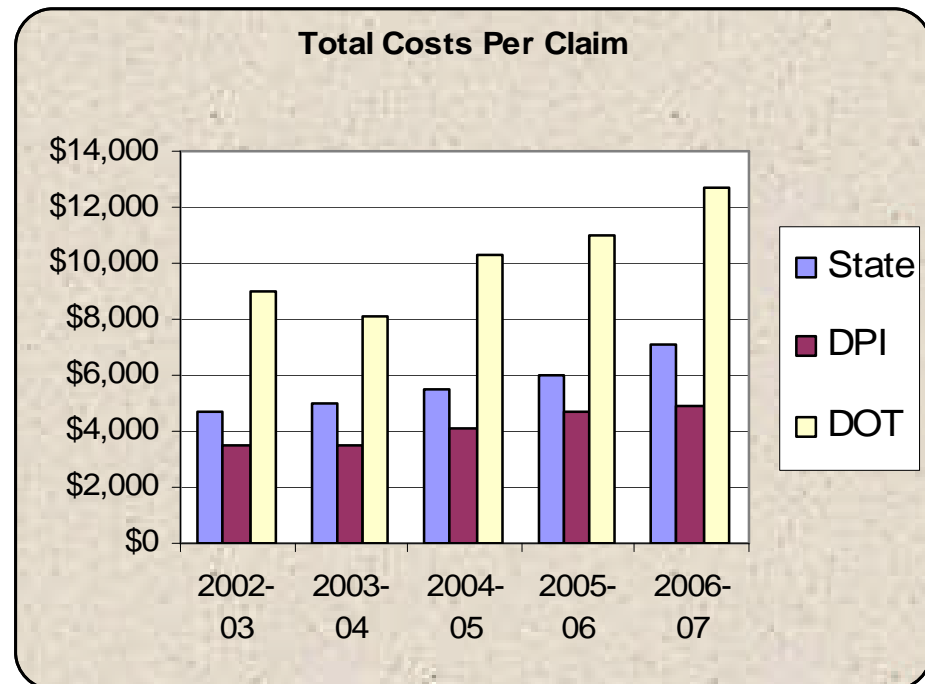
Goals of Study

Section 23.3 of Session Law 2007-323:

- Is Third-Party Administration (TPA) still most effective method?
 - Is current funding method still most effective?
 - Is excess insurance coverage needed?
 - Are there other operational inefficiencies?
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Third-Party Administration

- Does not cost more than internal claims management, and may cost less.
- Average increase per year, total costs per claim range between 9.3%-11% across the State.



Third-Party Administration (cont.)

- State agencies are not equipped to assume additional Workers' Comp administration:
Many agencies and campuses have less than one FTE allocated toward Workers' Comp.



Third-Party Administration (cont.)

- Office of State Personnel has reduced staffing and oversight of Workers' Comp program since 2001, with diminished audit function.
 - Audit of current TPA mainly confined to an annual satisfaction survey.
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Method of Funding

- Currently, a few agencies budget for Workers' Comp, but mostly use lapsed salaries.
 - Biennial budgeting of Workers' Comp expenses would help plan for expenses and rely less on lapsed salaries.
 - Agency-funded payroll additives can help set aside expenses.
 - Actuarial valuation of long-term Workers' Comp costs may be needed.
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Excess Coverage Policies

- Not justified, based on few and infrequent catastrophic cases.
 - If purchased, a Trust Fund should be created to attract a private insurer.
 - Agencies and universities would pay proportionate premium.
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Operational Inefficiencies

- Examine whether Workers' Comp function should shift to Safety Offices vs. Human Resources.
 - Evaluate combining Workers' Comp function and disability functions in one agency.
 - Consider 500-week cap on duration of benefits, similar to other states.
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Operational Inefficiencies (cont.)

- Local Education Agencies should have Return-to-Work policies consistent with the State.
 - Workers' Comp administrators should have regular communication with TPA.
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Recommendations

- Continue with Third-Party Administration.
 - Increase contract oversight and audit role by Office of State Personnel.
 - Budget for Workers' Comp through biennial budget process.
 - Excess insurance coverage is not needed, and would require a trust fund.
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Questions?

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