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Worker's Compensation -- Injury Prevention Program for Health Care Workers (DWD -- Employment, Training, and Vocational Rehabilitation Programs)

[LFB 2005-07 Budget Summary: Page 542, #16]

CURRENT LAW

The Workers Compensation (WC) Division in the Department of Workforce Development (DWD) administers a general workplace safety program that includes activities designed to assist employers in improving safety practices at worksites. The program is funded through the Division's operations appropriation, which is funded by an annual administrative assessment on worker's compensation insurance carriers and self-insured employers. DWD administers the wrap-up insurance program that includes services to improve safety on certain construction sites. Funding for administration is provided through reimbursements from program participants.

GOVERNOR

Provide expenditure authority of $500,000 PR annually and 1.0 PR two-year project position beginning in 2005-06 for the Worker's Compensation Division to establish an injury prevention program for health care workers.

DISCUSSION POINTS

1. Under the injury prevention program for health care workers, the Department would be required to do all of the following:

a. Conduct a study of injuries to health care workers caused by lifting.

b. Develop and distribute to health care facilities, health care providers, and health care workers, informational materials that promote a lift-free working environment for health care workers.

c. Distribute grants to health care facilities and health care providers to assist in the implementation of a lift-free working environment for health care workers of those facilities and providers. The Department would have to require grant recipients to provide matching funds in an amount it determined.

2. "Health care facility" would be defined under current law provisions and would include a facility where providers offer certain services under continuing care contracts or any hospital, nursing home, community-based residential facility, county home, county infirmary, county hospital, county mental health complex, or other place licensed or approved by DHFS under state law. "Health care provider" would also be defined under current law provisions and would mean a licensed nurse, chiropractor, dentist, physician, podiatrist, perfusionist, physical therapist, physical therapist assistant, occupational therapist, occupational therapy assistant, physician assistant, respiratory care practitioner, dietician, optometrist, pharmacist, acupuncturist, psychologist, social worker, marriage and family therapist, professional counselor, speech-language pathologist, audiologist, speech and language pathologist, massage therapist, bodyworker, emergency medical technician, first responder, a partnership of providers, a corporation or limited liability company of providers that offer health care services, an operational cooperative sickness care plan that directly provides services through salaried employees at its own facility, a hospice, a rural medical center, or a home health agency. "Health care worker" would mean an employee of a health care facility or health care provider.

3. A separate program revenue appropriation would be created to provide funding for the health care worker injury prevention program. The source of revenue would be funds from the annual administrative assessment on worker's compensation insurance carriers and self-insured employers, and the application and annual fees paid by exempted employers. The annual administrative assessment funds Worker's Compensation Division general program operations through a program revenue operations appropriation. Unappropriated funds in the health care worker injury prevention program appropriation would be transferred to the Division's operations appropriation.

4. As noted, the bill would provide $500,000 PR annually and 1.0 PR two-year project position to administer the injury prevention program for health care workers. The project position would be used to develop and implement the program during the 2005-07 biennium. The person's duties would include: (a) data collection and analysis of back injuries in health care occupations; (b) meeting with occupational organizations, such as the Wisconsin Federation of Nurses, and forming an advisory group to further program development; (c) developing an educational campaign to educate health care employers and employees on the benefits of no-lift environments; (d) working with equipment manufacturers to develop materials specifying the financial benefits of reductions in injuries; (e) developing demonstration projects with providers; and (f) developing and implementing the training grants program.

5. Annual funding of $415,000 PR would be used to make grants to health care providers for a portion of training costs related to creating a lift-free environment. A no-lift environment means that health care workers do not lift, shift, or transfer patients. Instead, lift devices are used to perform these functions. The grants would require a funding match by providers. The Department estimates that the grants could fund between 25% and 50% of health care providers' training costs in the proper selection and use of lift-free equipment, over a two- to three-year period for 15 to 20 projects.

6. The injury prevention program was developed in conjunction with a select committee on health care workforce development established by the Secretary of DWD to address an anticipated worker shortage in health care related occupations. Health care related jobs are projected to increase in Wisconsin by 30% from 2002 to 2012, from 222,760 to 290,190. Approximately 6,750 new jobs in the health care field will need to be filled each year, along with 3,920 job openings that will occur as existing employees leave the field or retire. The occupations most in demand are expected to be registered nurses, nursing aides and orderlies, home health aides, licensed practical and vocational nurses, medical and dental assistants, medical records and health information technicians, health care support workers, medical and health services managers, and emergency medical technicians and paramedics.

7. According to the Bureau of Labor Statistics, health care workers represent six of the 10 occupations with the highest risk for back injuries, including nurses aides, licensed practical nurses, registered nurses, health aides, radiology technicians, and therapists. Nursing care facilities rank as the third-highest industry for injury rates, with a rate of 17.3 of every 100 workers. In 2002, approximately 4,400 health care workers in Wisconsin suffered injuries on the job, and about 2,900 (66%) were back injuries.

8. The injury prevention program is viewed as a means of partially addressing a number of issues: (a) the potential shortage of health care workers; (b) increasing health care costs; and (c) improved patient care. In addition, the program could create more interest in health care providers to move to lift-free workplaces. Back injuries can lead to modified duty and absenteeism that increases labor costs for providers.

9. However, in determining potential cost savings from a no-lift environment, worker's compensation costs are probably the most significant component. In calculating worker's compensation insurance rates, the individual business' experience with such injuries is a factor. The cost of worker's compensation insurance varies and depends on how hazardous the jobs in the employer's business classification are, based on past experience in the industry and the employer's gross payroll. Employers are classified for worker's compensation by the business or industry in which the employer operates, rather than by the specific job performed. Each classification combines the payroll and losses for similar employers to develop a manual rate charged for worker's compensation. There are approximately 650 business classifications for premium purposes. In addition to the manual insurance rate, which is required to be charged, most employer's rates are modified by their own loss experience through the experience-rating plan. Experience rating groups all employers according to their business operations or classification, adds together the losses of the

group, and obtains an average cost for the group. The actual losses of the individual employer are also determined over a period of time, usually three years. The experience of the individual employer is then compared with the group average. If the employer has better than average costs, a credit is awarded and the employer's worker's compensation insurance rate is reduced. If the employer's average costs are higher than average, a debit rating is applied and insurance rates are higher. Thus, to the extent a lift-free environment reduces injuries, worker's compensation rates may also be reduced.

10. No-lift work environments have been implemented at Beloit Memorial Hospital, Monroe Clinic, and North Central Health Care, Langlade, Lincoln, and Marathon County tri-county facility. Monroe Clinic implemented a lift-free program in 2000 when injury-related costs were $71,100. Since then costs have ranged from $2,600 in 2004 to $16,400 in 2002. Similarly, the North Central Health Care tri-county facility implemented a no-lift program in 2000 and has realized a 59% reduction in worker's compensation losses between 2000 and 2004. In 1998, the Australian Ministry of Health initiated a back injury prevention program in 111 facilities. There was an estimated 41% reduction in the rate of working days lost associated with standard back injury claims, a 24% reduction in the rate of standard back injury worker's compensation claims, and the mean working days lost per claim dropped 23%. To the extent that nursing costs are passed on to consumers, any reduced costs from a lift-free environment could lead to reduced overall health care costs.

11. Generally, businesses make investments based on the returns to that investment (usually measured as an internal rate of return or present value of cash flow). However, lack of information, substantial initial costs, and short-term planning horizons could prevent health care providers from investing in equipment for a lift-free workplace. Agnesian Health Systems estimated that moving to a total lift-free environment for its facilities could cost $450,000 including $100,000 for training. Health care facilities might not have funds of this magnitude available. In addition, purchases of no-lift equipment must be measured against the potential revenue generating effects of purchasing other health care equipment. Charges for use of diagnostic or treatment equipment could generate a greater cash flow than the reduced worker's compensation costs from a lift-free workplace. Also, the full impact of improved injury experience on worker's compensation rates would not be reflected for at least three years after implementation. This puts such investments at a competitive disadvantage when compared with other similar investments with shorter return on investment horizons. From the individual firm's perspective, the benefits of a lift-free workplace are likely to differ from the overall benefits to the state of larger and healthier health care workforce. As a result, the program could be justified based the overall returns to the state economy from an increased and healthier health care workforce.

12. The Worker's Compensation Division allocates $150,700 PR and 1.0 PR position to operate a worker safety program. The program has developed a workplace safety website and promotional materials related to safer worksites. The Worker's Compensation Safety Coordinator is chair of the Safety Partnership Committee (comprised of representatives from public and private safety organizations, industries, and labor unions), works with other committees, advises the WC Division on safety initiatives (such as the workplace Safety Institute Website), directs Department

of Commerce safety inspections, reviews OSHA inspection reports related to WC claims, responds to inquires concerning safety violations, and provides information to the Secretary of DWD on safety issues. The Coordinator also directly reviews worker injuries, and decides what claims may be inspected for possible employer workplace safety violations. Employers are contacted to verify safety training programs and small businesses receive guidance in establishing safety programs after injuries. Funding for the safety program and Coordinator is provided through the worker's compensation operations appropriation.

13. The Division provides administrative services to the wrap-up insurance program. Wrap-up insurance allows the owner of a large construction project to select a single insurance carrier for all contractors on the project. All employers involved in a construction project (owner, general contractor, subcontractors, architect, engineer, and surveyors) are insured under one policy with a single insurer. Wrap-up insurance is designed to provide a coordinated safety program (a full-time safety coordinator is required for the length of the project) and to reduce the project's overall insurance costs. A basic purpose of the wrap-up insurance program is to improve safety on large construction projects, reduce employee injuries, obtain the most efficient accident prevention and loss control service, and reduce the project's overall insurance costs. To qualify as a wrap-up project, the estimated cost of completion must be at least $25 million, and the estimated standard worker's compensation insurance premium must be at least $250,000. Wrap-up insurance programs are also known as owner-controlled insurance programs (OCIP). The Worker's Compensation Division spends $55,000 and allocates 0.75 position to administer the wrap-up insurance program. Administrative activities include: (a) providing information and application for a wrap-up insurance program; (b) review and approval of applications; (c) issuing orders for approved wrap-up programs; and (d) monitoring wrap-up insurance program sites to insure compliance with safety practices and guidelines. The Department is reimbursed by the project owner for administrative costs, up to a maximum of 2% of the wrap-up insurance premium amount.

14. DWD is authorized to assess and collect an administrative fee on worker's compensation insurance carriers and self-insured employers for the costs of administering the state's worker's compensation law. The worker's compensation assessment rate is computed by dividing the current fiscal year's net operating costs by the total disability indemnity payments from carriers and self-insurers from claims closed in the previous calendar year. Self-insurers pay an additional amount to cover the administrative cost of operating the self-insured employers program. The following table shows worker's compensation administrative assessments and rates for fiscal years 1999-00 through 2004-05. The Department estimates that, using the indemnity amount for fiscal year 2004-05, the administrative assessment would be $11,650,000 in 2005-06 and $11,800,000 in 2006-07, including the additional $500,000 annually for the health care worker safety program. This would result in annual assessment percentages of 5.76% in 2005-06 and 5.83% in 2006-07. However, if the health care worker safety program was not implemented and the additional funding not necessary, the annual assessment rates would decline to 5.51% and 5.59%, respectively. It should be noted that these rate calculations assume the same annual amount of indemnities as in 2004-05. If total indemnities varied, as is likely, then the rates would differ accordingly, but the relative difference in the rates would remain.

Worker's Compensation Administration Assessment

Fiscal Year	General Assessment Rate	Self-Insured Employer Rate	Total Administrative Assessment
1999-00	5.42%	6.13%	$9,607,900
2000-01	5.00	5.46	11,558,500
2001-02	4.91	5.41	11,079,800
2002-03	5.26	5.93	11,241,200
2003-04	5.77	6.45	12,461,500
2004-05	5.92	6.78	11,972,800

15. The injury prevention program for health care workers is, in part, designed to encourage health care providers to make investments and adopt workplace practices that will reduce long run operating costs for the providers. Economic theory would predict that each provider would make such investments and operating changes if they were cost effective to the business. As is noted, some Wisconsin health care providers have made this calculation and invested in the equipment and training for a lift-free environment. As a result, there is a concern the state grant program and assistance could subsidize business investment that would occur without the state involvement. Conversely, to the extent providers chose to invest in no-lift equipment, rather than other more cost-effective equipment, facility revenues would be lower. Over time, the difference in revenue steams could result in higher charges and fees, and higher health care costs.

16. By targeting the health care industry for the safety program, the Department would be favoring that industry over others. Some could argue that other industry groups that are significant in the state's economy, such as manufacturing, should have their own targeted safety programs as well. Business groups would also note that other industries, such as manufacturing and construction, are currently investing significant resources in safety equipment and procedures. The Department's other safety programs are available to all industries or funded by the industry that benefits from the program. Since the health care worker safety program is funded from the Division's operations appropriation, the general administrative assessment that is indirectly paid by all businesses through insurance premiums is being used to fund a new program that is targeted to a specific business group.

17. It is in a firm's best interest to manage employee benefit costs, such as health and worker's compensation insurance. In interviews, staff for health care facilities indicated that worker's compensation costs could be managed through programs, other than no-lift workplaces, that emphasized lowering the costs of injuries. Practices such as early intervention in starting rehabilitation and early return to work, even in modified duty, can reduce the amount of worker's compensation benefit payments. General ergonomics programs in the workplace can also improve safety and lower injury rates.

ALTERNATIVES

1. Adopt the Governor's recommendation to provide expenditure authority of $500,000 PR annually and 1.0 PR two-year project position beginning in 2005-06 for the Worker's Compensation Division to establish an injury prevention program for health care workers.

2. Delete provision and maintain current law.

Alternative	PR
2005-07 FUNDING (Change to Bill)	**-** $1,000,000
2006-07 POSITIONS (Change to Bill)	**-** 1.00

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