

**STATE OF NEW HAMPSHIRE  
WORKERS' COMPENSATION PROGRAM  
FOR STATE EMPLOYEES**

**PERFORMANCE AUDIT REPORT  
JANUARY 1993**

**TO THE FISCAL COMMITTEE OF THE GENERAL COURT:**

We have conducted an audit of the workers' compensation program for state employees of the State of New Hampshire to address the first part of the recommendation made to you by the joint Legislative Performance Audit and Oversight Committee for us to review the state's risk management program. To complete our examination of risk management, we will conduct another audit which will evaluate the state's property and casualty insurance coverage and related loss-control practices. This audit was conducted in accordance with generally accepted governmental auditing standards and accordingly included such procedures as we considered necessary in the circumstances.

The objectives of our audit were to determine the costs related to the workers' compensation program for state employees; to evaluate alternatives in providing coverage, including private sector insurance and self-insurance, and to identify the methods used in other New England states; to evaluate the effectiveness of management controls over waste, fraud, and abuse; to determine the efficiency and effectiveness of contracting practices; to evaluate the adequacy of program data; and to evaluate the extent to which the state has attempted to control costs by establishing employee safety or other programs.

This report is the result of our evaluation of the information noted above and is intended solely to inform the Fiscal Committee of our findings and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Fiscal Committee is a matter of public record.

*Office of Legislative Budget Assistant*  
OFFICE OF LEGISLATIVE BUDGET ASSISTANT

January 1993

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**STATE OF NEW HAMPSHIRE  
WORKERS' COMPENSATION PROGRAM  
FOR STATE EMPLOYEES**

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### ABBREVIATIONS

DAS	Department of Administrative Services
DOL	Department of Labor
ESP	Employee Safety Program
NHIFS	New Hampshire Integrated Financial System
USNH	University System of New Hampshire
WCC	Workers' Compensation Commission

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# STATE OF NEW HAMPSHIRE WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES

## SUMMARY

### THE PROGRAM

In New Hampshire workers' compensation is governed by the provisions of RSA 281-A and enforced by the state Department of Labor. Employers typically provide the necessary workers' compensation coverage in one of two ways — by purchasing insurance or by self-insuring.

The State of New Hampshire, itself an employer with nearly 10,000 full-time employees, has chosen to function on a pay-as-you-go basis funding workers' compensation losses as a current expense. Many refer to the state's program as "self-insured," but because the state does not maintain the actuarially determined loss reserves required of employers governed by the self-insurance provisions of the law, it is probably more accurate to describe the state as either "uninsured" or "self-funded."

The program is managed on a daily basis by an administrator and four staff employees. The staff administrator reports to both the Commissioner of the Department of Administrative Services and a three member Workers' Compensation Commission board appointed by governor and council and administratively attached to the Department of Administrative Services. Staff responsibilities include making an initial determination as to the validity of a claim and processing paperwork for a variety of claim-related activities such as appeals to the Department of Labor, lump-sum settlements, and third-party recoveries. Staff also oversee the hiring and payment of outside service providers.

### STRENGTHS AND WEAKNESSES

Our audit of New Hampshire's workers' compensation program for state employees covered a six-year period (FY 1987 - FY 1992) during which time the overall cost of state government increased 83.4% and state government wage and salary costs (upon which workers' compensation costs are based) increased 36.3%. The audit has revealed some pluses and some minuses as the following indicate:

- State employee workers' compensation claims costs increased 123.2%, while the number of claims decreased 11.1%.
- The cost per claim increased 151.1%, but the number of work days lost per claim decreased 59.8%.



## SUMMARY (Continued)

### STRENGTHS AND WEAKNESSES (Continued)

- Administrative costs increased 38.9% while expenditures for outside vendors providing medical management, vocational rehabilitation, and claims investigation services increased 614.3%.
- Five state agencies accounted for 62.6% of all claims losses. Back injuries and injuries to the hand and arm accounted for 41.7% of all work-related injuries.
- Only 12 of 54 agencies surveyed (22.2%) reported having a formal employee safety program.
- New Hampshire's loss rates were consistently lower than the average for the private sector but higher than those in a major public self-insurance pool.
- All other New England state government programs were also reported to be self-funded and among the New England states New Hampshire's cost per claim and ratio of indemnity claims to medical only claims compared favorably.

### COST OF THE PROGRAM

New Hampshire spent \$26.7 million for the workers' compensation program for state employees during the six-year period FY 1987 through FY 1992. Expenditures covered indemnity payments for lost wages to employees suffering work-related injuries and payments for medical services. Expenditures also included costs of administering the program. Over the six years expenditures for the state program increased from \$2.9 million in FY 1987 to \$6.6 million in FY 1992. (FIGURE 1).

Five state agencies accounted for \$15.9 million (62.6%) of total workers' compensation claims losses of \$25.4 million. The five agencies were the Liquor Commission, the Department of Safety, the Department of Corrections, NH Hospital, and the Department of Transportation (the totals do not include USNH claims losses for the six-year period totalling \$3.7 million). (FIGURE 2).

FIGURE 1

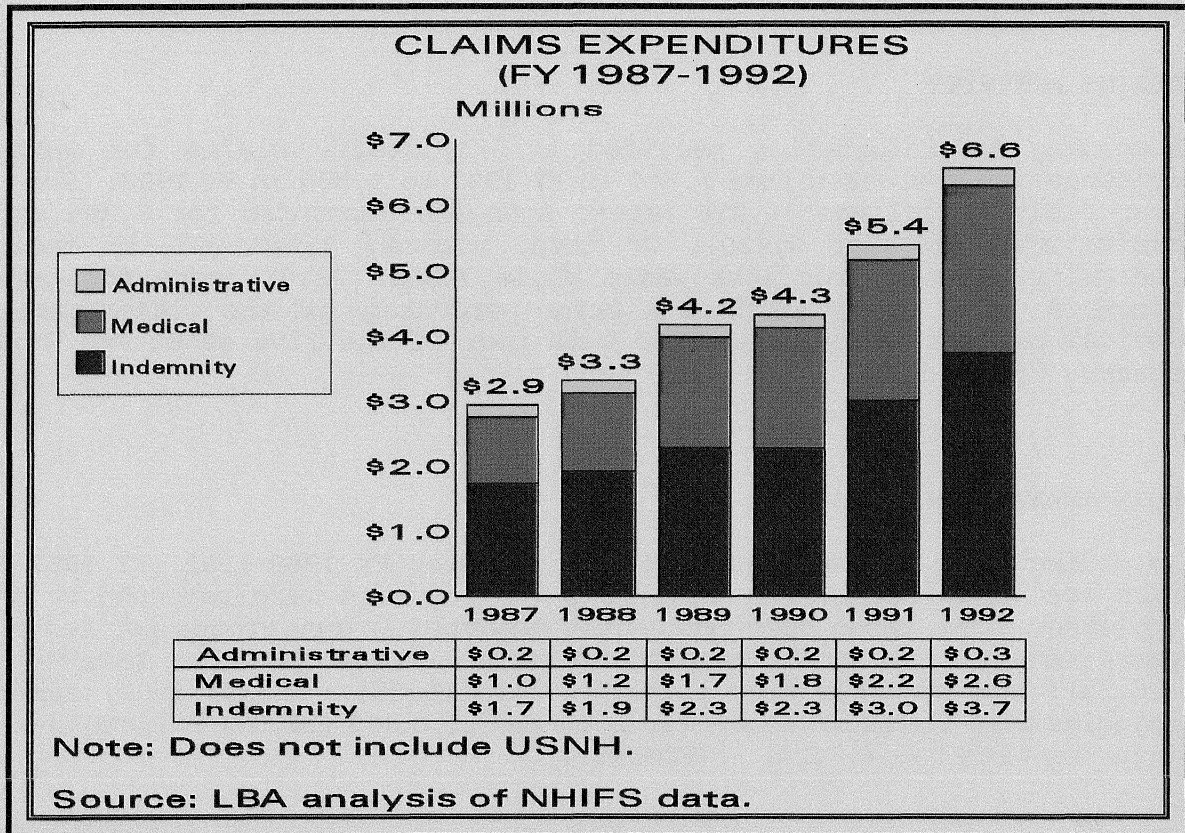
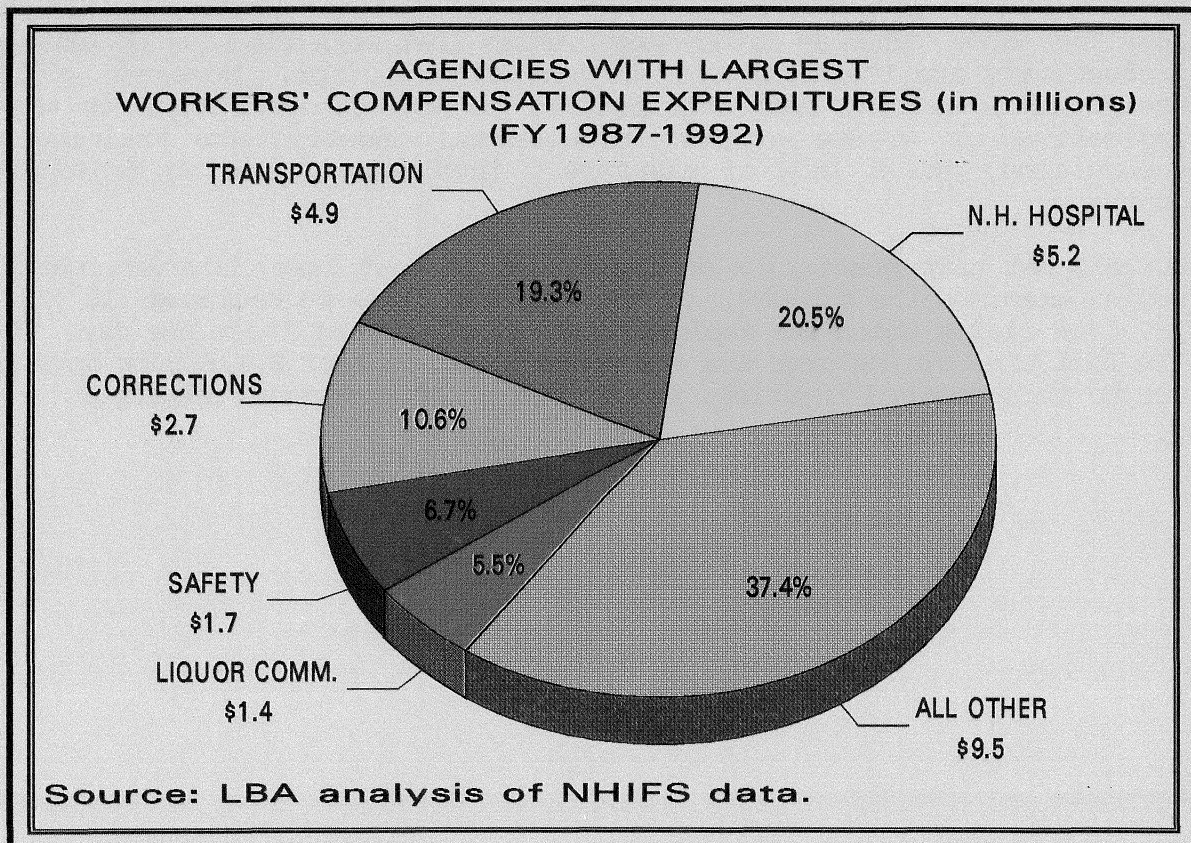


FIGURE 2



## **SUMMARY (Continued)**

### **CLAIMS ACTIVITY**

According to information provided by WCC staff, claims for workers' compensation decreased from 1,844 in FY 1987 to 1,585 in FY 1992. The six-year claims total was 10,816 (state agencies accounted for 8,396 of the claims and USNH for 2,420). Of total claims, 2,928 (27.1%) included indemnity payments for lost wages while 7,888 (72.9%) were for medical benefits only. The fact that a large percentage of the claims were for medical benefits only is in line with four of the five other New England states. (FIGURE 3).

### **WORK-RELATED INJURIES**

According to the Department of Labor data for FY 1989-1992 (FY 1987-1988 data were unavailable), a total of 5,485 injuries were reported by state employees. The three most frequently reported injury groups for the four-year period were hand/finger/thumb/wrist — 904 (16.5%); back — 893 (16.3%); and multiple body parts — 781 (14.2%). In FY 1992, arm/hand injuries were the most frequently reported with 303 (23.5%) followed by back injuries with 235 (18.2%). (FIGURE 4).

### **LOST TIME**

One significant effect of workers' compensation claims is the resulting time lost from work. When an agency experiences lost work time due to injuries, productivity and the continuity of operations suffer. Moreover, a large amount of lost work time attributable to work-related injuries may be indicative of unsafe working conditions, insufficient training and supervision, and a lack of management involvement once an employee is injured.

WCC did not have statistics on the amount of lost time; however, our file review examined the subject. Of the 438 case files we reviewed 110 (25.1%) involved claims where the employee was out of work at least one day. These 110 lost time claims over the six years accounted for 8,136 work days lost due to work-related injuries, an average of 74.0 days per employee.

FIGURE 3

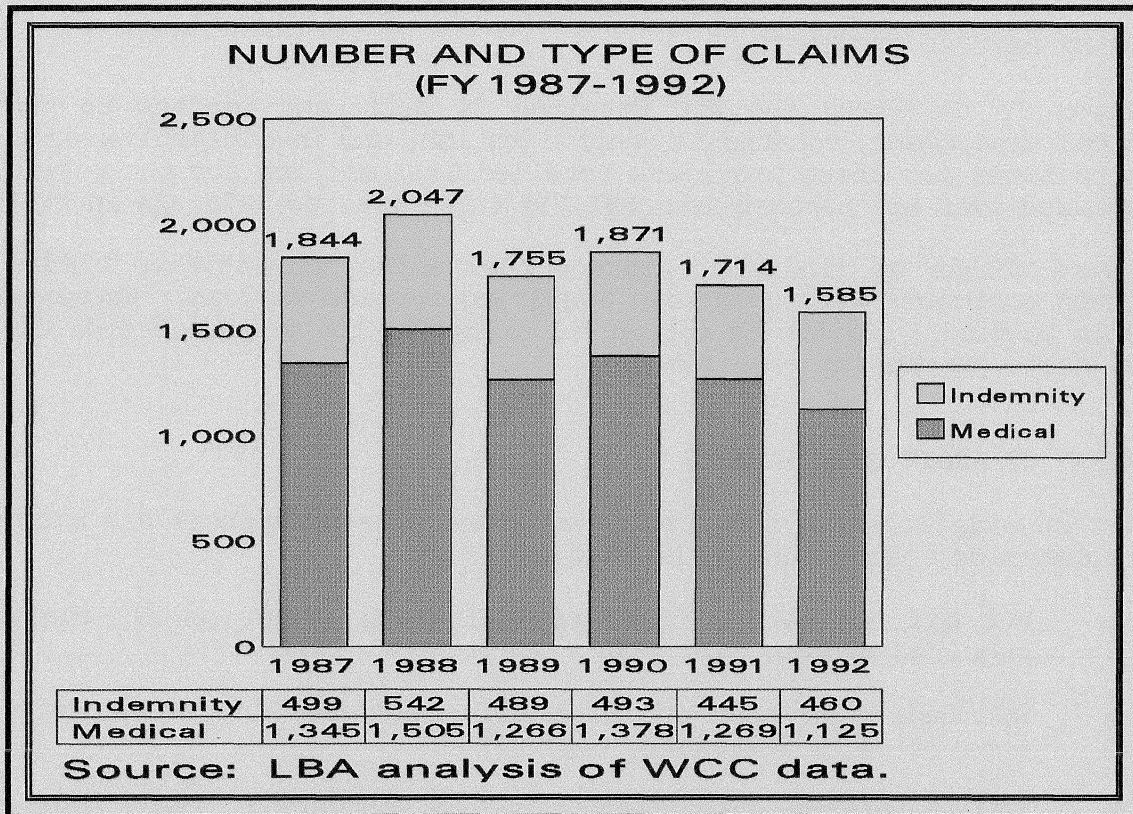
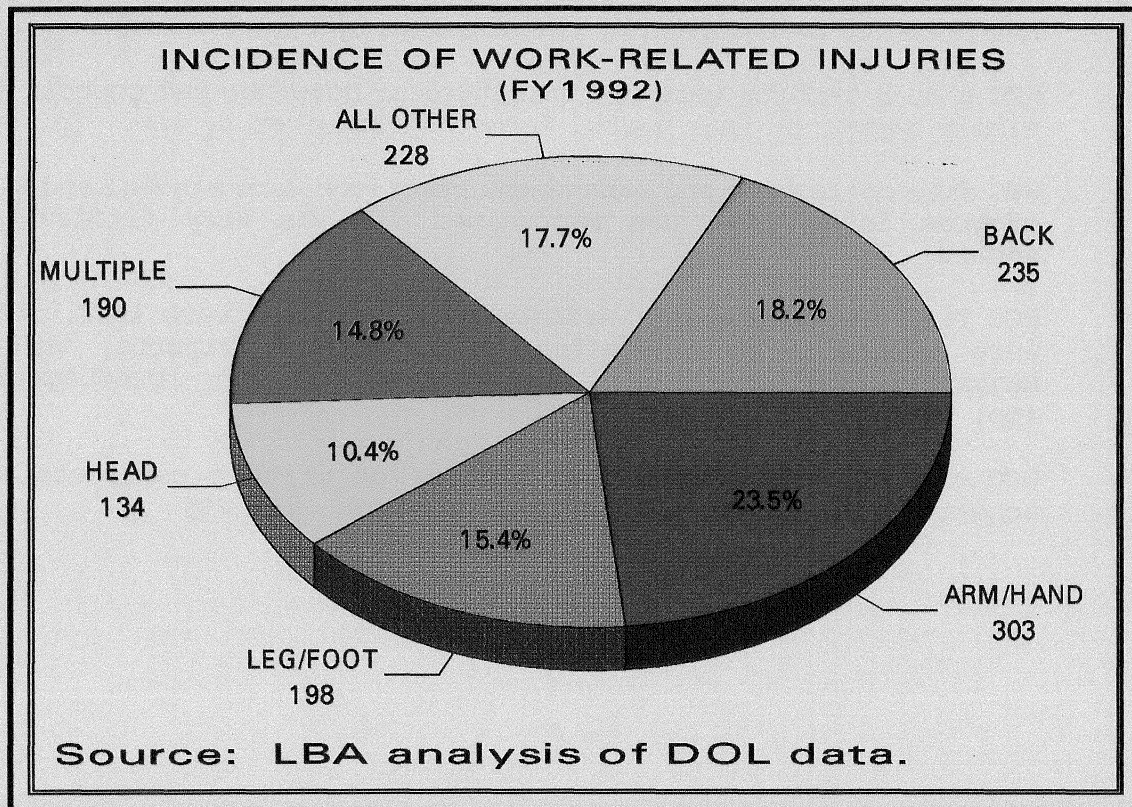


FIGURE 4



## SUMMARY (Continued)

### OUTSIDE SERVICE PROVIDERS

Between FY 1987-1992 the WCC retained 14 different vendors to provide medical management, vocational rehabilitation, and investigative services. Expenditures for these providers totalled \$1.1 million for the period and increased over 614 percent from \$52,757 in FY 1987 to \$376,824 in FY 1992.

We were unable to find any evidence that either competitive bidding or written contracts were used when acquiring outside vendors. We were also unable to find a legitimate reason for exempting the use of outside vendors from state purchasing requirements.

### SUMMARY OF AUDIT OBSERVATIONS

Major observations are summarized below and page references are made to a more detailed discussion in the report.

- WCC did not make a final determination review on all claims as required by law. (p. 51)
- WCC had no written policies and procedures to govern the daily activities of its staff. (p. 52)
- WCC Administrative rules expired on February 1, 1990. New rules have not been adopted. (p. 53)
- WCC meetings were not recorded and minutes of those meetings were not prepared as required by the state's right-to-know law. (p. 53)
- WCC annual reports were not submitted to governor and council in a timely manner or in a useful format as required by law. (p. 56)
- WCC data collection and management practices were minimal and where program information was maintained, it was very difficult to access. (p. 57)
- WCC file management was inadequate. Some files were lost, others were missing witness statements and medical reports, while a majority of files showed no evidence of any investigation. (pp. 59-67)
- WCC did not use competitive bidding or written contracts when acquiring the services of outside vendors. (p. 69)

## **SUMMARY (Continued)**

### **OTHER ISSUES AND CONCERNS**

In this section, we present issues reviewed during our audit which we did not develop as formal observations. While not fully developed, these issues are not without significance. The Department of Administrative Services, the legislature, and other interested parties may consider them worthy of action or further study. These issues and concerns included 1) the lack of allocation of WCC administrative costs to user agencies including USNH, 2) whether the state is complying with various "self-insured" provisions, 3) whether requiring state agencies to budget for workers' compensation would strengthen the program, 4) the need to maintain data on types of disabilities, 5) the need to change the law to allow reimbursement of vocational rehabilitation costs incurred as the result of third-party actions, and 6) the need for a state-wide policy on recovering workers' compensation costs from claims filed by federally-funded state employees.

### **CONCLUSION**

While dollar for dollar New Hampshire's workers' compensation program for state employees has operated relatively efficiently over the past six years compared to other alternatives, there are several major areas of concern which appropriate state officials should immediately address in order to make the program more effective.

The most serious weakness is a lack of strong management oversight across the breadth of the program. The legislature might wish to review the way the program is structured and consider whether the Workers' Compensation Commission board is necessary to effectively administer the workers' compensation program. If it is determined that the commission provides a useful function, the legislature might consider clarifying who is ultimately responsible for the daily administrative operations of the program — the commissioner of the Department of Administrative Services or the Workers' Compensation Commission board.

Additional weaknesses in the program we noted include 1) the absence of budgeting for workers' compensation, 2) the lack of an adequate management information system for the program, 3) the lack of documentation and access to vital claim-related information, and 4) the lack of strict compliance with various statutory requirements particularly those dealing with the state's purchasing and right-to-know laws.

Clarification of these issues and a general tightening of management oversight will contribute to a more efficient use of state resources and decrease the state's risk of exposure to misuse or abuse of the program by employees, agency management, or outside vendors. With health care costs rapidly increasing, it's in the state's best interest to maximize the efficiency and effectiveness of the workers' compensation program for state employees to the greatest extent possible.

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# STATE OF NEW HAMPSHIRE WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES

## SCOPE, OBJECTIVES, AND METHODOLOGY

We performed our audit of New Hampshire's workers' compensation program for state employees to address the first part of the recommendation made to the Fiscal Committee by the Legislative Performance Audit and Oversight Committee. To complete our examination of risk management, we will conduct another review which will evaluate the state's property and casualty insurance coverage and related loss-control practices. This review was conducted in accordance with generally accepted governmental auditing standards and accordingly included such procedures as we considered necessary in the circumstances.

### SCOPE AND OBJECTIVES

This report describes and analyzes the efficiency and effectiveness of the workers' compensation program for state employees, its current and historical costs, and alternatives to the current method of self-funding. Our audit focused primarily on the six-year period from fiscal year 1987 through fiscal year 1992 and addressed the following specific objectives:

- Determine the costs related to the current workers' compensation program, including an evaluation of cost by agency, distribution and trend of medical and indemnity payments, recoveries to the state from third-parties, and the utilization of independent contractors;
- Evaluate alternatives in providing workers' compensation coverage to state employees, including private insurance, a self-insurance pool, and a comparison of New Hampshire with other New England states;
- Determine the extent to which management controls limit the state's risk of exposure to waste, fraud, and abuse;
- Determine whether current practices for acquiring claims-related services from independent contractors are appropriate and comply with applicable statutes, rules and regulations, and policies and procedures;
- Determine whether information for the workers' compensation program is sufficient and operations are adequately documented; and



## **SCOPE, OBJECTIVES, AND METHODOLOGY (Continued)**

### **SCOPE AND OBJECTIVES (Continued)**

- Determine the extent to which the state has attempted to control injuries and their related costs through the implementation of employee safety or other programs and how the state compares with other New England states.

### **METHODOLOGY**

To obtain general background information and develop an overall understanding of workers' compensation, we reviewed reports, journal articles, and research papers published by professionally-recognized governmental and nongovernmental organizations including the U.S. General Accounting Office, the National Conference of State Legislatures, the Public Risk Management Association, the American Society for Public Administration, the National Council of Compensation Insurance, and the National Association of Insurance Commissioners. We also reviewed audits and reports of workers' compensation programs from other states including Arizona, California, Connecticut, Florida, Minnesota, Montana, South Carolina, Texas, and Virginia.

To obtain background information about New Hampshire's workers' compensation program and potential problem areas, we interviewed the WCC administrator and chairman, officials and employees from the Attorney General's office, Department of Administrative Services, Department of Employment Security, Department of Insurance, Department of Labor, Liquor Commission, New Hampshire Hospital, Department of Transportation, University System of New Hampshire, and representatives from the State Employees Association. We also analyzed the results from a written questionnaire sent to state agencies and the USNH.

We examined an extensive list of documents pertaining to WCC, DAS, and DOL operations. We also reviewed New Hampshire statutes and administrative rules, Attorney General's opinions, organization charts, annual reports, policies and procedures, personnel rosters, inter-office memoranda, and minutes of meetings of the Governor and Council, Fiscal Committee, and Workers' Compensation Advisory Council.

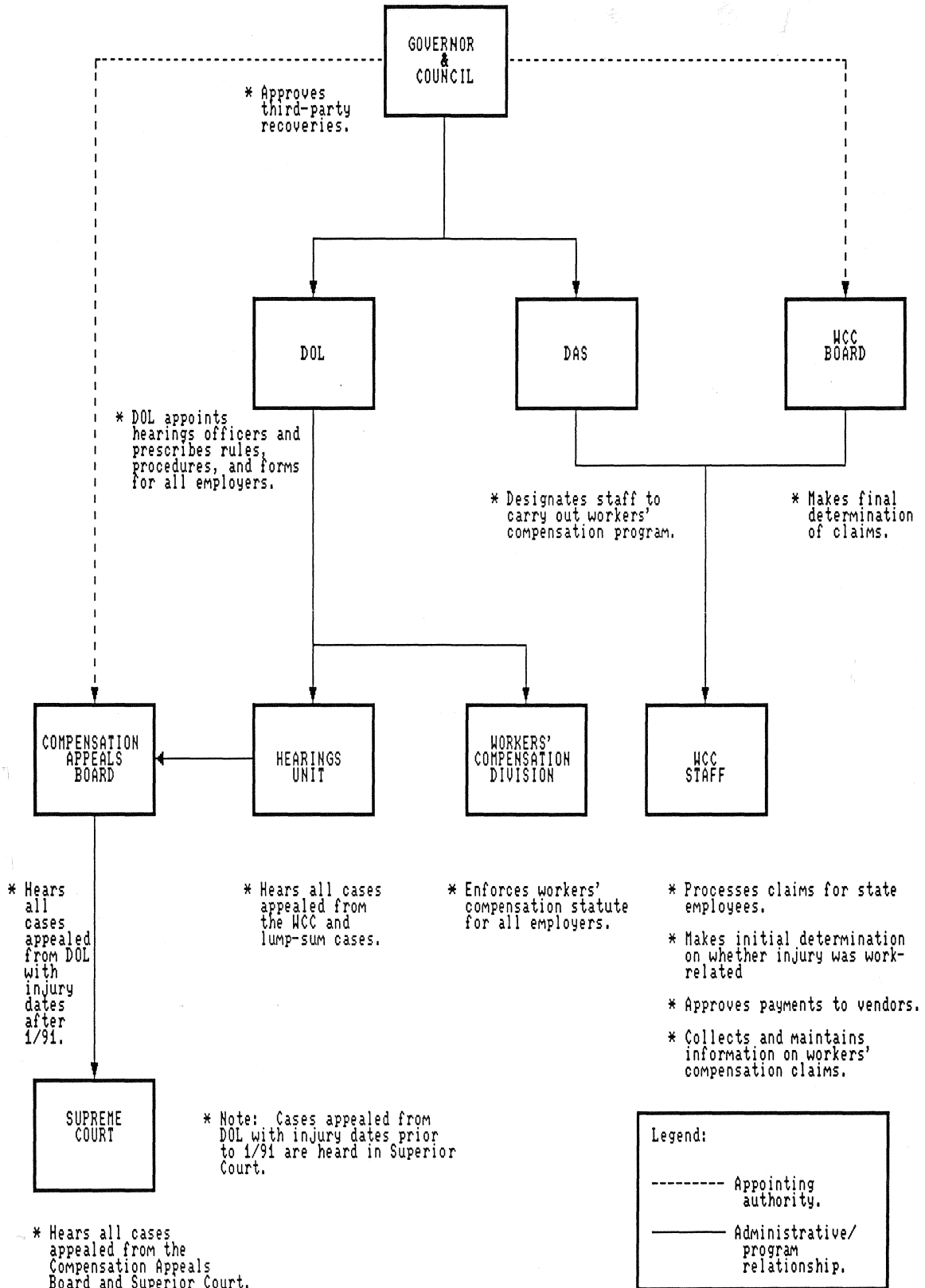
In evaluating the efficiency of the program, we analyzed expenditure, payroll, and vendor use data from the state's accounting system (NHIFS) for each of the six fiscal years in the period, and injury data obtained from DOL. To assess the program's effectiveness and extent of management controls, we reviewed DAS policies and procedures, administrative rules, conducted structured interviews with DAS and DOL officials, and reviewed a random sample comprised of 462 workers' compensation claims files of state employees from FY 1987 through FY 1992. To identify possible trends and operational relationships, we also performed correlational analyses on selected variables of the workers' compensation program.

## **SCOPE, OBJECTIVES, AND METHODOLOGY (Continued)**

### **METHODOLOGY (Continued)**

In identifying alternatives to the state's current method of administering workers' compensation, we conducted structured interviews with representatives of the New Hampshire Hospital Association, Compensation Funds of New Hampshire, Liberty Mutual Insurance Company, American International Adjustment Company, and the City of Nashua. To estimate the comparative costs involved with other types of funding workers' compensation, we obtained and analyzed payroll data from the Department of Employment Security and premium and loss data for private sector employees from the Department of Insurance. Additionally, we conducted a mail survey of the other five New England states to determine how New Hampshire compares with those states in funding methods, administration procedures, and level of workers' compensation activities.

**AGENCIES INVOLVED IN THE  
WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES**



Source: LBA analysis of relevant statutes and information provided by the WCC and DOL.

**STATE OF NEW HAMPSHIRE  
WORKERS' COMPENSATION PROGRAM  
FOR STATE EMPLOYEES**

**1. INTRODUCTION**

New Hampshire state government spent \$26,674,815 to underwrite and administer the workers' compensation program for state employees during the six-year period FY 1987 through FY 1992. Total expenditures for the state's self-funded program increased 123.2 percent from \$2,935,797 in FY 1987 to \$6,553,634 in FY 1992. By comparison total expenditures for state government increased 83.4 percent during the same period.

The \$26.7 million covered expenses for nearly 8,400 claims filed during the period, an average of about five claims every work day. However, at the same time expenditures have increased over the period, the number of claims filed has decreased 11.1 percent from 1,415 in FY 1987 to 1,258 in FY 1992 or about 1.7 percent annually. Accordingly, costs per claim have risen dramatically during the period. (TABLE 1.1).

**TABLE 1.1**

**LOSSES, TOTAL CLAIMS, AND COST PER CLAIM  
FOR STATE AGENCIES  
(FY 1987-1992)**

<b>FISCAL YEAR</b>	<b>LOSSES</b>	<b>% CHANGE</b>	<b>TOTAL CLAIMS</b>	<b>% CHANGE</b>	<b>COST PER CLAIM</b>	<b>% CHANGE</b>
1987	\$2,935,797		1,415		\$2,075	
1988	3,312,408	12.8%	1,614	14.1%	2,052	-1.1%
1989	4,167,479	25.8%	1,353	-16.2%	3,080	50.1%
1990	4,320,292	3.7%	1,443	6.7%	2,994	-2.8%
1991	5,385,205	24.6%	1,313	-9.0%	4,101	37.0%
1992	6,553,634	21.7%	1,258	-4.2%	5,210	27.0%
1987-1992	\$26,674,815	123.2%	8,396	-11.1%	\$3,177	151.1%

Note: Includes WCC administrative expenditures and the state's portion of the DOL administration fund. USNH claims and expenditures not included.

Source: LBA analysis of NHIFS and WCC data.

## 1. INTRODUCTION (Continued)

Of the \$26.7 million spent over the period, \$1.3 million (4.8%) were administrative expenditures. These administrative expenditures consisted of WCC's expenditures (78.3%) and the state's share of the Workers' Compensation Administration Fund (21.7%). RSA 281-A:59 (III) requires all employers, including the state, to pay their pro rata share (as assessed by DOL) of one fiscal year's costs for statewide administration and enforcement of the workers' compensation law. (TABLE 1.2).

**TABLE 1.2**

### ADMINISTRATIVE EXPENDITURES (FY 1987-1992)

FISCAL YEAR	WCC EXPENDITURES	DOL ASSESSMENT	TOTAL	% CHANGE
1987	\$166,908	\$21,927	\$188,835	
1988	157,051	38,776	195,827	3.7%
1989	149,717	44,359	194,076	-0.9%
1990	161,387	41,294	202,681	4.4%
1991	176,531	53,048	229,579	13.3%
1992	185,245	77,108	262,353	14.3%
1987-1992	\$996,839	\$276,512	\$1,273,351	38.9%
Source: LBA analysis of WCC data and Statements of Appropriation.				

Although the WCC processes claims for USNH as it does with state agencies, claims and associated expenditures are not included in this discussion because USNH budgets for and underwrites the cost of workers' compensation independently of state government. The USNH had 2,420 claims from FY 1987 through FY 1992 with total expenditures of \$3.7 million.

The increase in total state government expenditures is driven by both increasing indemnity and medical costs, as well as a six-fold increase in the use of outside contractors to provide investigative, medical management, and vocational rehabilitation services. Whatever the reasons for the increasing costs to the state, increased attention should be given to the program in order to exert more fiscal control in an environment of limited state resources.

## 1. INTRODUCTION (Continued)

The remaining sections of this report provide analyses of various aspects of the workers' compensation program for state employees, as well as several peripheral issues which affect the efficiency and effectiveness of the program. Section two provides an overview of workers' compensation in general. Section three looks at how the workers' compensation program for state employees is administered and assesses the adequacy of the program's management controls. Section four analyzes costs associated with the state's program. Section five touches on employee safety issues and programs in state government. Section six analyzes possible alternatives to the current program. Section seven presents some overall conclusions on the current program and proposes some alternatives to the way state government administers its workers' compensation program for state employees.

# STATE OF NEW HAMPSHIRE WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES

## 2. OVERVIEW OF WORKERS' COMPENSATION

In New Hampshire workers' compensation is a statutorily-defined, state-regulated risk management program. Workers' compensation programs for all employers, including the State of New Hampshire as an employer, are governed by the provisions of RSA 281-A and enforced by the state Department of Labor (the "DOL").

### 2.1 TWO METHODS FOR PROVIDING WORKERS' COMPENSATION COVERAGE

In its simplest form, workers' compensation requires employers to provide coverage to employees in return for an employee giving up the right to sue an employer for suffering a work-related injury or disease. When an employee is injured on the job, costs for lost wages (within defined limits), related medical treatment, and vocational rehabilitation (where appropriate) are paid by the employer on the employee's behalf. Employers provide the necessary workers' compensation coverage in one of two ways — by purchasing insurance or by self-insuring.

If an employer decides to purchase insurance, he or she pays a premium to an insurance company licensed by the insurance commissioner to sell workers' compensation insurance in New Hampshire. For payment of a premium by the employer the insurance company agrees to assume the employer's workers' compensation risk. The premium charged reflects rates established by the insurance commissioner for various classifications of employees within the employer's company or business. The classifications are based on the risk inherent in particular jobs. For example, rates established for heavy equipment operators and prison guards will be significantly higher than those for teachers and office managers. In its simplest terms, the premium is the employee's job rate multiplied by the employee's salary, to which the insurer adds the cost of administering the employer's account (including legal costs) and a profit margin.

An employer who decides to self-insure is basically agreeing to be legally liable for workers' compensation and related expenses. In other words the employer is assuming the workers' compensation risk. A self-insurer is also responsible for administrative and legal costs associated with the program. Self-insurers generally provide for administrative and legal services in one of three ways — "in-house," through "third-party administrators," or through "self-insurance pools."

## **2. OVERVIEW OF WORKERS' COMPENSATION (Continued)**

### **2.1 TWO METHODS FOR PROVIDING WORKERS' COMPENSATION COVERAGE (Continued)**

Public and private employers who are self-insurers are regulated by the state Department of Labor and are required to maintain appropriate loss reserves in accordance with sound actuarial principles. Additionally, private self-insurers are required to maintain specific excess insurance. Public self-insurers may purchase excess insurance or may simply appropriate additional necessary funds.

### **2.2 METHOD CHOSEN BY STATE GOVERNMENT**

In New Hampshire the workers' compensation program for state employees is a hybrid of the self-insurance alternative discussed above. While the state as an employer is subject to many of the same requirements as other self-insured public employers according to RSA 281-A:11, it does not maintain any loss reserves, choosing instead to function on a pay-as-you-go basis funding workers' compensation losses as a current expense. The commissioner of administrative services is authorized by RSA 21-I:24 to pay workers' compensation benefits and to charge the expenditure against appropriations of the injured employee's agency. If a state agency does not have any funds appropriated for workers' compensation (as is most often the case) the commissioner may make payments from the state treasury against funds not otherwise appropriated.

It is probably more accurate to describe the state as either "uninsured" or "self-funded" for workers' compensation rather than self-insured. In any case New Hampshire is not alone in this regard as all five of the other New England states fund their workers' compensation programs in the same manner. (TABLE 2.1).



## 2. OVERVIEW OF WORKERS' COMPENSATION (Continued)

### 2.2 METHOD CHOSEN BY STATE GOVERNMENT (Continued)

**TABLE 2.1**

COMPARISON OF SELECTED SELF-REPORTED VARIABLES  
OF NEW HAMPSHIRE AND THE OTHER NEW ENGLAND STATES  
(FY 1992)

STATE	TYPE OF FUNDING	TOTAL CLAIMS	TOTAL EXPEND. (MILL.)	COST PER CLAIM	% OF CLAIMS INDEM.	BID CON.	% AGYS. WITH ESPs
CT	SELF	9,500	\$67.0	\$7,053	47	YES	100%
ME	SELF	1,100	10.1	9,182	48	YES	100%
MA	SELF	12,502	67.9	5,431	64	YES	35%
<b>NH</b>	<b>SELF</b>	<b>1,258</b>	<b>6.6</b>	<b>5,210</b>	<b>29</b>	<b>NO</b>	<b>22%</b>
RI	SELF	3,215	24.1	7,496	30	YES	20%
VT	SELF	1,200	2.3	1,917	23	YES	20%
<b>N.E. AVG.</b>	<b>N/A</b>	<b>4,796</b>	<b>\$29.7</b>	<b>\$6,048</b>	<b>40</b>	<b>N/A</b>	<b>50%</b>

Notes: "% OF CLAIMS INDEM." represents the percent of all claims which resulted in lost work days. The remaining claims are medical only claims. "BID. CON." represents whether the workers' compensation agency competitively bids contracted services. "% AGYS. WITH ESPs" represents the percent of agencies within each state having formal employee safety programs.

Source: LBA analysis of information provided by state workers' compensation agencies.

### 2.3 DEFINING "WORK-RELATED"

In order to be eligible to receive benefits under workers' compensation an employee must sustain a work-related injury or suffer from a work-related disease. Understanding the term "work-related" is crucial to understanding workers' compensation. Not all on-the-job injuries to employees are compensable as work-related injuries. According to the statute the injury to be "work-related" must be accidental and arise out of and in the course of employment. Self-inflicted injuries are not compensable, neither are conditions of the aging process. Injuries, diseases, or death resulting from stress are not work-related unless there is an accompanying physical manifestation.

## **2. OVERVIEW OF WORKERS' COMPENSATION (Continued)**

### **2.3 DEFINING "WORK-RELATED" (Continued)**

When an injury is work-related, the injured employee is eligible for workers' compensation benefits. Benefits include indemnity payments (payments for lost wages) and payments for medical services.

### **2.4 PAYMENT FOR LOST WAGES**

When an employee is disabled by a work-related injury or disease, the employer has a three day waiting period before indemnity payments may begin. If the disability continues 14 days or longer, benefits are paid retroactively to the first day of the disability. The procedure for processing a workers' compensation claim for indemnity payments for an injured state employee is complex and requires coordination among several agencies.

First, the employee must report his or her injury to the employee's agency. Next, the agency must submit the injury report, a completed wage schedule, and a Memo of Payment to the Workers' Compensation Commission for State Employees (the "WCC"), an agency administratively attached to the Department of Administrative Services (the "DAS"). After that the WCC reviews the documentation and, if the claim is ruled valid, approves the level of indemnity to be paid as well as the length of time payments will be made. After approval by the claimant's agency, the WCC, the DAS Division of Personnel (for classified employees only), and the DAS Bureau of Accounting, adjustments are made to the employee's payroll records.

The claimant's average weekly indemnity payment is determined by dividing his or her gross earnings during the preceding 26 weeks by the number of weeks the employee received earnings. The minimum and maximum compensation rates are established annually by the state Department of Labor. In general, an injured employee is entitled to a weekly compensation rate of two-thirds of the gross average weekly wage based on the 26 weeks preceding the injury. A state employee may supplement any difference between his or her normal earnings and the workers' compensation indemnity payments by applying accumulated sick leave.

Indemnity payments for state employees missing work due to a work-related injury are paid by a check prepared by the state Treasury Department. These checks are identical in appearance to regular payroll checks and are processed bi-weekly with the state's payroll. The only difference is indicated on the paycheck stub which normally will list "regular pay." For indemnity payments "workers' compensation" is listed instead and taxes are not withheld from gross earnings because workers' compensation is non-taxable.

## 2. OVERVIEW OF WORKERS' COMPENSATION (Continued)

### 2.5 MEDICAL PAYMENTS

Workers' compensation law requires employers to furnish injured employees reasonable medical, surgical, and hospital services (employees may select their own physicians) as well as remedial care, nursing, medicines, and mechanical or surgical aids for the duration of the injury period. The employer is further required to pay the cost of artificial limbs, eyes, teeth, orthopedic appliances, and physical and surgical aids made necessary by the injury and also must pay the cost of any necessary repair or replacement.

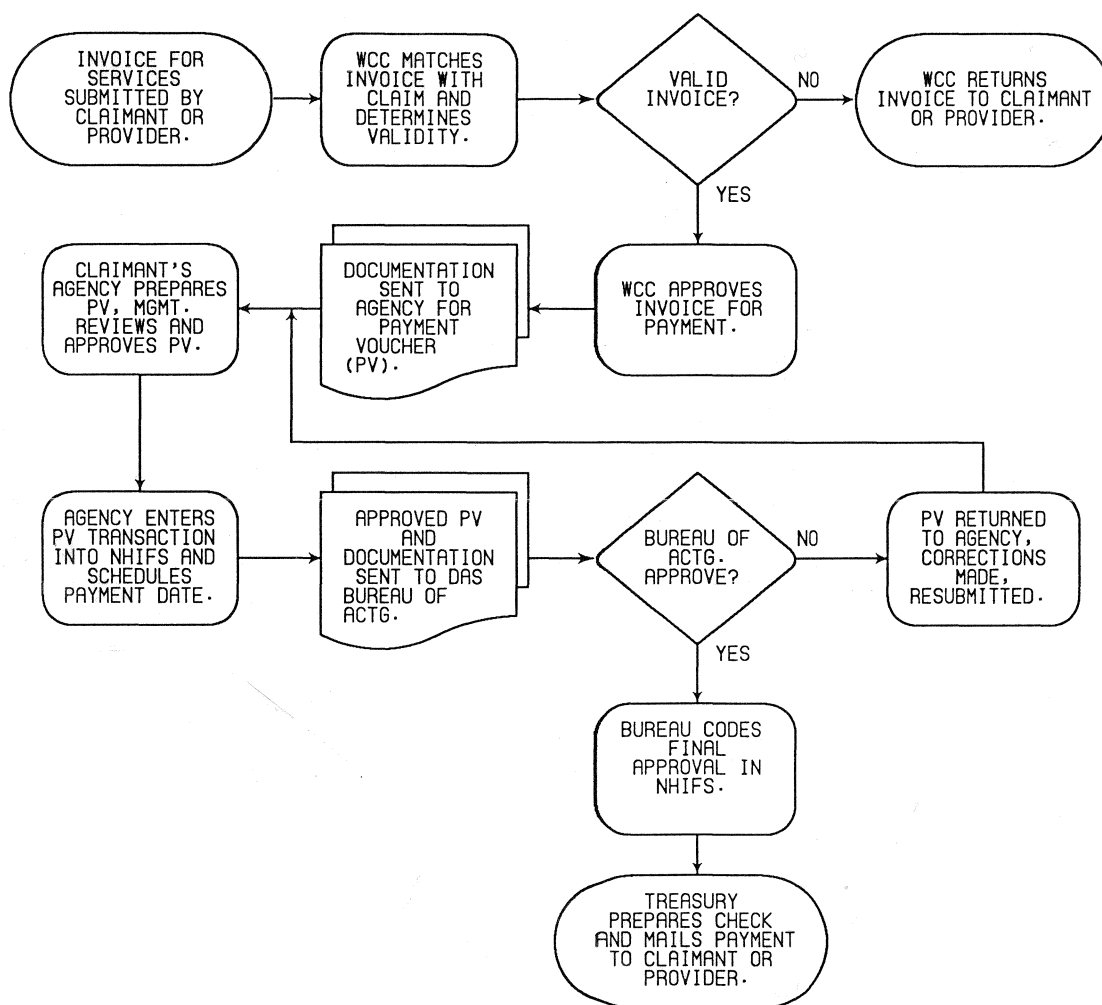
An injured employee has the medical provider bill the state for payment. Invoices from medical service providers and reimbursement requests from claimants may be filed with the WCC or the claimant's agency. If the agency initially receives the invoice, it must forward the invoice to the WCC for approval. When the invoice is approved by the WCC, the original is returned to the claimant's agency where a payment voucher is prepared and made payable to either the claimant or the provider, whomever is appropriate. The agency enters the approved transaction into NHIFS and schedules a payment date. The approved payment voucher and invoice are then sent to the DAS Bureau of Accounting where, after further review, the payment voucher is approved. Upon DAS' final approval, a check is automatically prepared and disbursed by the state Treasury Department (FIGURE 2.1).

## 2. OVERVIEW OF WORKERS' COMPENSATION (Continued)

### 2.5 MEDICAL PAYMENTS (Continued)

**FIGURE 2.1**

**PAYMENT PROCESS FOR WORKERS' COMPENSATION CLAIMS**



### 2.6 NOTIFICATION AND APPEALS

An injured employee has up to two years after the employee knows of the injury to report it to an employer. When notified the employer has five days to report the injury or illness to its workers' compensation insurer, which for the state is the WCC. The injury must also be reported to the state Department of Labor at the same time. The workers' compensation law requires the employer to approve or deny benefits within 21 days from the date the injury was reported. If the employer denies the claim, the employee has up to four years to request a DOL hearing to review the denial (the WCC acts as the "employer" for the state).

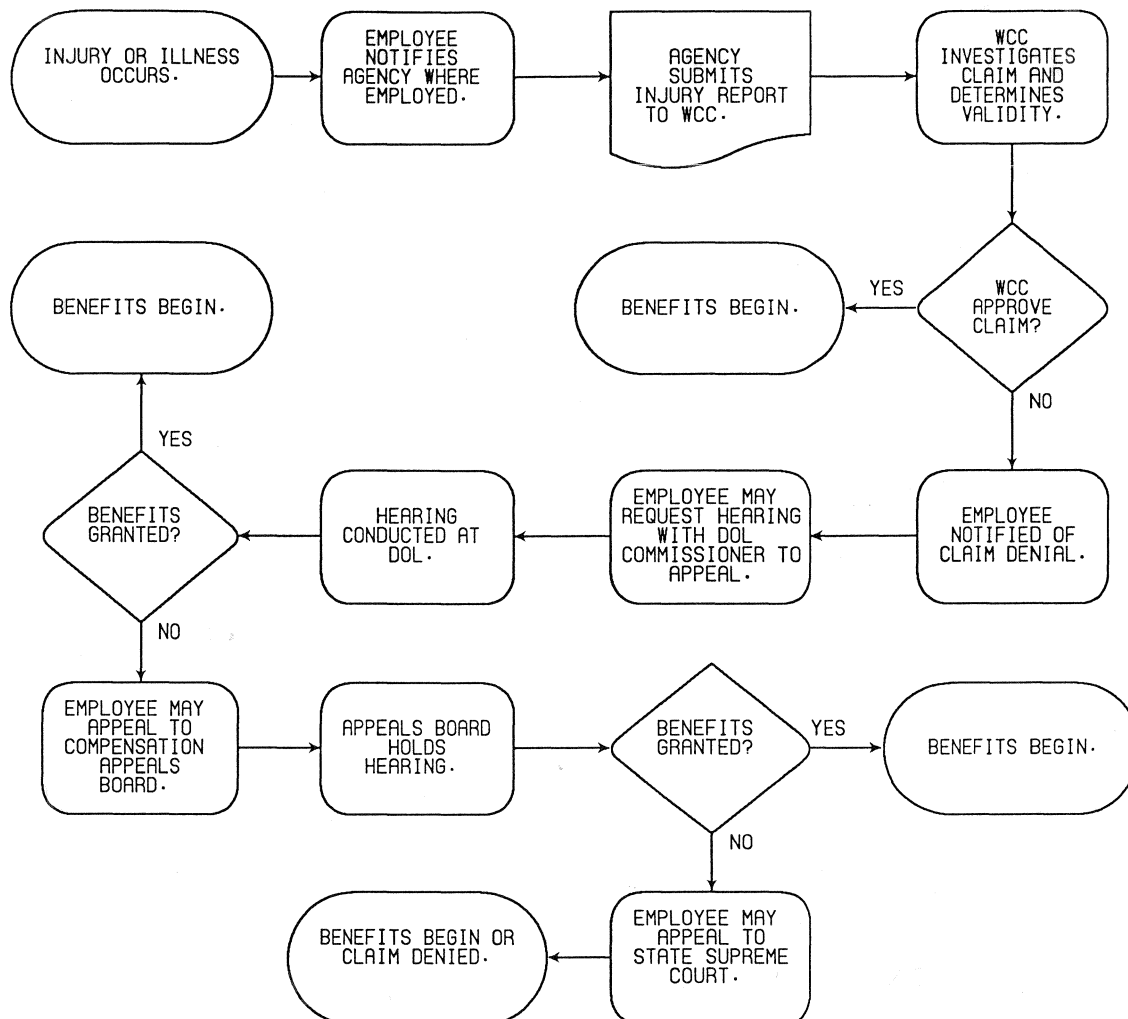
## 2. OVERVIEW OF WORKERS' COMPENSATION (Continued)

### 2.6 NOTIFICATION AND APPEALS (Continued)

If a hearing is granted, the DOL must render its decision within 30 days. Prior to January 1, 1991, the employee had up to 30 days to appeal an adverse decision by the DOL to the superior court and the superior court was supposed to render its decision within 30 days. Since January 1, 1991, appeals of DOL decisions must be filed within 30 days with the Compensation Appeals Board. Within six weeks of notification, a three-member panel of the board will hear the appeal and render a decision within 30 days. Appeals of board decisions on issues of law may be filed with the state Supreme Court (FIGURE 2.2).

**FIGURE 2.2**

#### WORKERS' COMPENSATION NOTIFICATION AND APPEALS PROCESS



# STATE OF NEW HAMPSHIRE WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES

## 3. ADMINISTRATION & MANAGEMENT CONTROLS

To determine the effectiveness of the workers' compensation program, we evaluated the extent of management controls within the Department of Administrative Services and the Workers' Compensation Commission. To ascertain the operational relationships involved in the program and the extent of management oversight, we reviewed statutory provisions and rules governing the WCC and conducted structured interviews with WCC personnel, including the present and former administrators and the commission chairman, and the DAS commissioner to identify the actual operational relationship of each to the WCC in terms of the oversight and supervision of workers' compensation program functions.

To determine the extent to which the WCC was in compliance with various statutory requirements, we reviewed pertinent state laws, administrative rules, and internal policies and procedures. We also analyzed information obtained during a file review of a random sample of workers' compensation claim files covering a six-year period. Through the file review, we assessed the sufficiency of documentation of program information. Finally, we conducted structured interviews and surveyed personnel at various state agencies to ascertain how selected facets of the program operate and the extent to which centralized review was taking place at the WCC.

### 3.1 MANAGEMENT OVERSIGHT

Neither DAS commissioners nor the WCC board has exercised adequate management oversight over the daily operations of workers compensation program staff.

State law established the WCC to review and process workers' compensation claims filed by state employees. Initially the WCC was administratively attached to the state Department of Labor. However, because the DOL was charged with the responsibility of regulating other employers and the state, it was thought that it should not be involved in administering the state's program. In 1983 when the DAS was formed under executive reorganization, the WCC was moved to that department and administratively attached. The law establishing the WCC (RSA 21-I), however, is ambiguous in specifying the reporting relationship and accountability of the DAS commissioner, WCC board, and its staff.

### 3. ADMINISTRATION & MANAGEMENT CONTROLS (Continued)

#### 3.1 MANAGEMENT OVERSIGHT (Continued)

The WCC board consists of three members appointed by governor and council. One member must be an attorney licensed to practice in the state; one member must be a licensed physician; and one member must represent the labor field. The governor designates one of the members to serve as chairman. Commission members serve staggered three-year terms and receive \$75 per day plus reimbursement of reasonable expenses incurred while on official business. Staff support for the WCC consists of five employees - an administrator, two claims investigators, and two clerical employees.

To facilitate prompt payment of claims, RSA 21-I:23 (IV) authorizes the WCC board to delegate "limited authority" (a term undefined in the law) to the DAS commissioner to designate qualified personnel in the DAS to review state employee claims and make an initial determination of the merits of each claim. RSA 21-I:23 (V) requires the WCC to meet as often as necessary to review all claims after they have been initially reviewed by staff and to make a final determination. It is unclear to what extent the WCC has delegated limited authority to staff to make initial determinations on workers' compensation claims; further, there is no evidence that the WCC has made a final determination on those claims as required by law. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #1 on page 51.)**

Additional WCC board responsibilities include several important functions: submitting an annual report to governor and council of its activities; advising governor and council on problems involving workers' compensation procedures for state employees and making recommendations for changes to the program; compiling work injury data relative to state employees to be included in its annual report; and employing clerical assistance as necessary to carry out its functions.

RSA 21-I:23 (IV) requires the WCC to delegate limited authority to the commissioner of administrative services to designate qualified personnel in DAS to review all claims by state employees and to make an initial determination of such claims. The commissioner has important oversight responsibilities associated with this function. However, our evidence suggests that DAS commissioners have generally not exercised management oversight of the program. For example, the present commissioner indicated that his office has had no involvement during the audit period with financial recoveries from responsible third-parties and was not aware of what efforts staff has undertaken in pursuing those reimbursements. Additionally, the commissioner's office has not been involved in decisions regarding the recruitment and retention of medical, case management, and investigative service providers and the determination of whether fees charged by those providers were reasonable. Furthermore, the commissioner did not know how effectively staff investigates questionable claims.

### **3. ADMINISTRATION & MANAGEMENT CONTROLS (Continued)**

#### **3.1 MANAGEMENT OVERSIGHT (Continued)**

Written policies and procedures are a basic management responsibility. They facilitate the mutual understanding of operations and responsibilities between staff and management, encourage the consistent completion of tasks by staff, reduce the amount of time needed for on-the-job training of new staff, and assist with the continuity of office operations over time. Neither the WCC board nor the DAS commissioner have written policies and procedures in place to guide workers' compensation program staff and to delineate between DAS, staff, and WCC board responsibilities. Such delineation would help to clarify issues. According to the workers' compensation program staff administrator, staff do not have adequate time to devote to the development and implementation of such policies and procedures. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #2 on page 52.)**

RSA 21-I:23 (V) requires the WCC board to meet as often as necessary to review and make a final determination on all claims. However, according to both the staff administrator and the board chairman, not all claims are presented to the board for a review and final determination. According to the former WCC staff administrator, the WCC board reviews only those claims involving a dispute, those which have medical or legal questions pending, or those which may be lump-sum settled for more than \$50,000. Additionally, the board meets only once a month and does not meet at all during the summer months. Moreover, the chairman of the board contends the board's role in the review and disposition of all cases was affected because the previous staff administrator had predated the existence of the board.

The current statute and administrative rules regarding workers' compensation for state employees do not provide authority for staff to selectively present claims to the board, to establish a threshold for settling claims, or to make the determination as to which claims would be most efficient for the state to settle. Management oversight at a minimum is necessary to ensure that each claim receives appropriate consideration, that no particular claimant receives preferential treatment, and that overall, the workers' compensation program is effectively and efficiently operating.

#### **3.2 STATUTORY COMPLIANCE**

One objective of our file review was to determine the extent to which the WCC adhered to various statutory requirements. According to RSA 281-A:42 (I), a copy of a Memo of Payment or Memo of Denial must be filed with the commissioner of DOL by the WCC within 21-days after the notice of a claim has been received or 21-days from the date that benefits are due. If DOL grants WCC an extension to determine whether the claim is compensable, then



### 3. ADMINISTRATION & MANAGEMENT CONTROLS (Continued)

#### 3.2 STATUTORY COMPLIANCE (Continued)

the employer does not need to meet this 21-day obligation (RSA 281-A: 42 (II) (a)). If an extension is not filed, the employer is subject to a fine for noncompliance. Fines range from \$500 for the first instance of noncompliance to a maximum of \$2,500 (DOL rules § 512.01).

We wanted to test WCC's compliance with the 21-day requirement and determine the extent to which it rendered an initial decision to grant or deny benefits within 21-days from the date they received the claim. However, because of the lack of a formal docket or "diary" system and the inadequate file management practices discussed later in this section, we were not able to reliably test compliance with this requirement.

We reviewed several other areas for WCC compliance with statutory requirements. Currently, there are no administrative rules in effect. According to RSA 21-I:23 (I) the WCC is required to "...adopt rules, pursuant to RSA 541-A, relative to processing claims of state employees... ." The most recent rules were adopted February 1, 1984, and expired February 1, 1990. Section 100 of the 1984 rules outlines the general responsibilities of the WCC, section 200 outlines a claimant's right to appeal a denial of benefits, and section 300 outlines the general procedures which should be followed when an employee incurs a work-related injury. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #3 on page 53.)**

The state's Right-to-Know Law, RSA 91-A:2 (II), requires that the minutes of any board or commission of any agency or authority of the state be promptly recorded and made available within 144 hours of a public meeting. RSA 91-A:3 (III) requires that minutes be prepared and a record of all actions be made available for public inspection within 72 hours of a non-public meeting, unless a recorded vote of two-thirds of the members present determines that revealing the information would adversely affect the reputation of a person other than a member of the board or agency itself. Meetings of the WCC were not recorded and minutes of such meetings were not prepared from fiscal year 1987 through fiscal year 1992. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #4 on page 53.)**

#### 3.3 REVIEW OF SERVICE PROVIDER INVOICES

The workers' compensation program for state employees utilizes many vendors providing medical, investigative, case management, and other such services. Providers bill the claimant, the claimant's agency, or the WCC directly for services rendered. No vendor invoice is paid until the WCC approves the invoice. Therefore, if a bill is received by the claimant's agency, the agency must send it to the WCC for approval. After the WCC has approved the bill, a copy is placed in the claimant's case file and the original is sent

### 3. ADMINISTRATION & MANAGEMENT CONTROLS (Continued)

#### 3.3 REVIEW OF SERVICE PROVIDER INVOICES (Continued)

back to the employee's agency. When the agency receives the approved bill, a payment voucher is prepared as indicated by the WCC. The payment voucher then goes to the DAS Bureau of Accounting and follows the same process as is described in the introductory section of this report.

For the University System of New Hampshire (the "USNH"), invoices are received at the appropriate campus (Durham, Keene or Plymouth) and the workers' compensation agent at the campus makes two copies of the bill. One copy goes to the WCC with the original and one copy remains at the campus for its records. After the bill is approved by the WCC, it goes back to the campus. Campuses do not have the authority to approve bills greater than \$10,000. If the bill is greater than \$10,000 the USNH central benefits office must approve the payment. The USNH pays its own claim-related bills, independent of the state government process described earlier. Since the WCC must ultimately approve the invoice prior to payment, the process is unnecessarily delayed if invoices are initially sent from the provider to the campus, then to the WCC for approval, and then back to the campus for preparation of the payment voucher.

We have seen no evidence of any direction given by the WCC and the agencies we contacted confirmed they have received no direction as to what procedures should be used in service provider billing. As mentioned previously, the WCC currently has no written policies or procedures; therefore, agencies have no guidance from a policy and procedure manual regarding vendor billing. According to the WCC staff administrator, USNH, and the majority of state agencies surveyed, it is the WCC's responsibility to ensure that charges are accurate, duplicate payments do not occur, and the charges are appropriate for the services rendered. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #5 on page 54.)**

After contacting three of the largest state agencies and USNH, it was disclosed that all four had experienced a few instances where double-billing for services had occurred. While documentation of particular instances could not be produced when we asked, the lack of controls at WCC makes such a situation possible. As a result, those agencies no longer rely solely on the WCC for this particular function and have established internal mechanisms to ensure that duplicate payment does not occur. For example, one agency enters all bills on its computer system and the date the bill was paid so that if a subsequent bill approved by the WCC is received for the same service on the same date, the agency knows not to authorize its payment again. However, many other agencies do not review vendor bills because the agencies perceive it to be the WCC's responsibility.

### 3. ADMINISTRATION & MANAGEMENT CONTROLS (Continued)

#### 3.4 PROGRAM DATA

RSA 21-I:23 (VI) (a-c) requires the WCC to report annually to governor and council on its activities, advise them on problems involving workers' compensation procedures and make recommendations for change, and to report work injury data relative to state employees. However, we found that even minimal summary information on claims, hearings, and expenditure activity was not maintained or accessible through the WCC. Additionally, WCC annual reports for fiscal years 1989 through 1991, were not submitted until March 1992 — two months after we began our audit. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #6 on page 56.)**

Examples of the type of information the WCC should have organized and available for any given period include: the number and types of injuries incurred by state employees, the frequency of injuries by type, the agencies having the most claims activity, the amount of medical costs and awards by agency, the ability to readily identify those claims which have been in progress the longest period of time, and the ability to identify trends in injury type or costs. Some information listed above is available in the workers' compensation claims files themselves but it is not readily accessible in summary form. Moreover, the WCC has not conducted any comprehensive analysis of the available data in order to improve the operation of the workers' compensation program. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #7 on page 57.)**

#### 3.5 FILE DOCUMENTATION

Another objective for conducting our file review of claimant's case files was to gather information that was not available through any other means. We interviewed the former WCC staff administrator at the time this file review was conducted, determined that several items were supposed to be retained in the claimant's file, and recorded whether the specific items cited by the administrator were actually present in the claimant files. Items expected to be found were:

- a First Medical Report on the injured employee;
- a Memo of Payment if the injured employee had received indemnity payments;
- a witness statement if a witness was present when the employee was injured or a statement that no witness was present;
- a 26-Week Wage Schedule, if the injured employee had received indemnity payments; and

### **3. ADMINISTRATION & MANAGEMENT CONTROLS (Continued)**

#### **3.5 FILE DOCUMENTATION (Continued)**

- a Motor Vehicle Report, if the employee was injured in a car accident and a third party was involved.

In addition to items cited by the staff administrator, we looked for evidence of an investigation by WCC staff, an agency representative, or a private investigator.

##### **3.51 Missing Files**

During our file review, 24 of 462 (5.2%) workers' compensation case files could not be located at the time we requested them. Based on our count of a total of 10,978 workers' compensation claim files, we estimated the number of lost or misplaced files for the six-year period was 590. After we reported this condition, WCC staff found 19 of the lost or misplaced files reducing the number to 5 of 462 (1.1%) — six months after our original request. After the second search, we estimated the number of remaining lost or misplaced files for the six-year period for total claims would be 121. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #8 on page 59.)**

##### **3.52 Witness Statements**

Of the 438 case files reviewed (those available after the initial search), 218 (49.8%) had neither a witness statement attesting to the facts surrounding the accident, nor a written acknowledgement by the employee's supervisor stating that no witness was present at the time of injury. By generalizing to the population of workers' compensation claims, we estimated that 5,467 files would not have this important documentation. Furthermore, because the WCC had no standard format for witness statements, we found that even when a witness statement was present in the case file, it was often hand written, barely legible, and too frequently contained inconsistent information. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #9 on page 61.)**

##### **3.53 Evidence of Investigations**

Of the 438 files, 349 (79.7%) contained no evidence that an investigation had been conducted to assist the state in determining the facts surrounding the injury and whether the claim was eligible for benefits. Based on that information, we estimated that as many as 8,750 files would not have evidence of an investigation for the period reviewed. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #10 on page 63.)**

### **3. ADMINISTRATION & MANAGEMENT CONTROLS (Continued)**

#### **3.5 FILE DOCUMENTATION (Continued)**

##### **3.54 First Medical Reports**

The First Medical Report, which is completed by the treating physician at the time the employee is injured, was not present in 166 of 438 (37.9%) of the case files reviewed in the sample. Based on that information, we estimated that 4,161 files would not have this type of documentation. Without this report there is no documentation to substantiate information on the Employers' First Report of Injury. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #11 on page 66.)**

The inability of WCC staff to locate case files at the time they were requested coupled with the lack of basic documentation, hinders its ability to complete daily tasks. In addition, insufficient documentation of workers' compensation files makes it difficult for the state to be fully prepared to challenge questionable claims, adequately plan for program growth, track current claims, or determine the fiscal impact of the workers' compensation program on the state's budget from year to year. Also, the lack of information on workers' compensation claims may increase the risk of fraud, waste, and abuse to the workers' compensation program. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #12 on page 67.)**

**STATE OF NEW HAMPSHIRE  
WORKERS' COMPENSATION PROGRAM  
FOR STATE EMPLOYEES**

**4. COST OF THE CURRENT PROGRAM**

We used data obtained from NHIFS, WCC, and the DOL to analyze several facets of the cost of the workers' compensation program. We reviewed the extent of claims activity and the types of claims filed by state employees and examined the state's "loss rate" comparing the growth of losses incurred with the state's payroll. We reviewed the volume and types of injuries sustained and their effect on lost work time as a result and identified the agencies experiencing the largest workers' compensation expenditures. We described the process of discontinuing indemnity payments through "lump-summing" and analyzed the extent to which the state pursues recovery of funds from third-parties. We also looked at the program's utilization of outside vendors.

**4.1 CLAIMS ACTIVITY**

Information provided by WCC staff shows that for the six-year period total workers' compensation claims filed decreased 14 percent from 1,844 in FY 1987 to 1,585 in FY 1992. The six-year claims total for state agencies and USNH was 10,816. Of this total 7,888 claims (72.9%) were for medical benefits only and 2,928 (27.1%) claims were for indemnity payments because of lost wages. For medical only claims, the number filed decreased 16.4 percent over the period from 1,345 in FY 1987 to 1,125 in FY 1992. The largest single year increase was 11.9 percent in FY 1988. Three of the six years witnessed decreases in the number of medical only claims — FY 1989 (-15.9%), FY 1991 (-7.9%), and FY 1992 (-11.3%). The average annual change in medical only claims was a 2.9 percent decrease.

Indemnity claims also decreased 7.8 percent from 499 in FY 1987 to 460 in FY 1992. The largest single year increase also occurred in FY 1988 with 8.6 percent. Two years witnessed decreases in the number of indemnity claims filed — FY 1989 (-9.8%) and FY 1991 (-9.7%). The average annual change in indemnity claims was -1.3 percent. (TABLE 4.1)

## 4. COST OF THE CURRENT PROGRAM (Continued)

### 4.1 CLAIMS ACTIVITY (Continued)

**TABLE 4.1**

**NUMBER AND TYPE OF CLAIMS  
(FY 1987-1992)**

FISCAL YEAR	MEDICAL ONLY	INDEMNITY	TOTAL	% CHANGE
1987	1,345	499	1,844	
1988	1,505	542	2,047	11.0%
1989	1,266	489	1,755	-14.3%
1990	1,378	493	1,871	6.6%
1991	1,269	445	1,714	-8.4%
1992	1,125	460	1,585	-7.5%
1987-1992	7,888	2,928	10,816	-14.0%
Source: LBA analysis of WCC data.				

### 4.2 LOSS RATES

One measure of a workers' compensation program's efficiency is its "loss rate," which is defined as the cost of a workers' compensation claim for each \$100 of payroll. The rate is calculated by dividing claims losses by payroll costs multiplied by 100, (e.g., \$ losses/payroll x 100 = loss rate). The result is the total workers' compensation expenditure per unit of payroll (it is also the percent of payroll expended for workers' compensation).

Aggregate workers' compensation loss rates for state agencies varied from a low of \$1.31/\$100 of payroll in FY 1987 to a high of \$2.14/\$100 of payroll in FY 1992. The state's total payroll over the six-year period increased 36.3 percent from \$224.9 million in FY 1987 to \$306.5 million in FY 1992. Over the same period, losses incurred for the state increased 123.2 percent from \$2.9 million in FY 1987 to \$6.6 million in FY 1992. Workers' compensation losses grew over the period three times faster than payroll. (TABLE 4.2).

#### 4. COST OF THE CURRENT PROGRAM (Continued)

##### 4.2 LOSS RATES (Continued)

**TABLE 4.2**

**AGGREGATE LOSS RATES FOR STATE AGENCIES  
(FY 1987-1992)**

FISCAL YEAR	STATE PAYROLL	% CHANGE	LOSSES	% CHANGE	LOSS RATE	% CHANGE
1987	\$224,914,097		\$2,935,797		\$1.31	
1988	243,877,189	8.4%	3,312,408	12.8%	1.36	3.8%
1989	276,625,738	13.4%	4,167,479	25.8%	1.51	11.0%
1990	285,397,412	3.2%	4,320,292	3.7%	1.51	0.0%
1991	297,159,243	4.1%	5,385,205	24.6%	1.81	19.9%
1992	306,504,875	3.1%	6,553,634	21.7%	2.14	18.2%
1987-1992	\$1,634,478,554	36.3%	\$26,674,815	123.2%	\$1.63	63.4%
Source: LBA analysis of NHIFS data.						

The five state agencies (as defined by NHIFS) with the highest loss rate for each fiscal year were as follows:

**FY 1987**

Adjutant General	\$ 6.08
Industrial Development Authority	\$ 4.29
NHTC-Stratham	\$ 4.10
Legislative Branch	\$ 4.03
DCYS Bureau of Residential Services	\$ 3.96

**FY 1988**

DCYS Bureau of Residential Services	\$ 5.82
Adjutant General	\$ 4.56
NH Hospital	\$ 3.71
Laconia Developmental Services	\$ 3.71
Department of Corrections	\$ 2.75

**FY 1989**

DCYS Bureau of Residential Services	\$ 6.55
Laconia Developmental Services	\$ 4.74
Pharmacy Commission	\$ 3.49
NH Hospital	\$ 3.36
Liquor Commission	\$ 3.24



#### 4. COST OF THE CURRENT PROGRAM (Continued)

##### 4.2 LOSS RATES (Continued)

###### FY 1990

DCYS Bureau of Residential Services	\$ 5.43
Veterans' Home	\$ 4.40
NH Hospital	\$ 4.26
Laconia Developmental Services	\$ 3.77
Liquor Commission	\$ 3.75

###### FY 1991

DCYS Bureau of Residential Services	\$ 6.79
Laconia Developmental Services	\$ 6.61
NH Hospital	\$ 4.97
Veterans' Home	\$ 4.78
Adjutant General	\$ 4.74

###### FY 1992

Real Estate Appraiser Board	\$64.25
DCYS Bureau of Residential Services	\$ 8.55
Veterans' Home	\$ 7.16
NH Hospital	\$ 5.65
Liquor Commission	\$ 5.64

##### 4.3 INJURIES

According to an analysis of injury data provided by the DOL for FY 1989-1992 (FY 1987-1988 data were unavailable) there were a total of 5,485 reported injuries involving state employees. The three most frequently reported injuries for the four-year period were: hand/finger/thumb/wrist - 904 (16.5%), back - 893 (16.3%), and multiple - 781 (14.2%). These three injury types accounted for 47 percent of all injuries reported.

For each fiscal year, the three most frequently reported injuries were as follows:

<u>FISCAL</u> <u>YEAR</u>	<u>INJURY</u>	<u>#</u> <u>REPORTED</u>	<u>% OF</u> <u>TOTAL</u>
1989	Multiple	230	15.7%
	Hand	227	15.5%
	Back	214	14.6%
1990	Hand	248	17.1%
	Back	241	16.6%
	Multiple	199	13.7%

#### 4. COST OF THE CURRENT PROGRAM (Continued)

##### 4.3 INJURIES (Continued)

<u>FISCAL</u> <u>YEAR</u>	<u>INJURY</u>	<u>#</u> <u>REPORTED</u>	<u>% OF</u> <u>TOTAL</u>
1991	Hand	227	17.6%
	Back	203	15.8%
	Multiple	162	12.6%
1992	Back	235	18.2%
	Hand	202	15.7%
	Multiple	190	14.8%

##### 4.4 LOST TIME

One significant effect of workers' compensation claims is the resulting time lost from work. When an agency experiences lost work time due to injuries, productivity and continuity of operations suffer. Moreover, a large amount of lost work time attributable to work-related injuries may be indicative of unsafe working conditions, insufficient training and supervision, and a lack of management involvement once an employee is injured. Workers' compensation professionals report that adequate training and regular personal contact once an injury occurs are important factors in returning an employee to work as quickly as possible.

Lost time is an important element in a workers' compensation program and we wanted to identify the total amount state agencies experienced during our audit period. Because the WCC did not retain or track this type of information, we included this variable in our review of a random sample of case files covering the six-year period.

Through our file review, we determined that 110 of 438 (25.1%) of the case files involved claims where the employee was out of work at least one day. These 110 claims over the six years accounted for 8,136 work days lost due to on-the-job injuries. Given a standard work year of 260 days, the 8,136 lost work days translate into 31.3 person years of lost work time in the last six years. In the sample of cases reviewed, the average number of lost work days per case for the six-year period was 74 days. Applying lost time figures from our sample to all workers' compensation cases for the six years, we estimated there were 2,755 lost time claims with 203,870 days lost from FY 1987 through FY 1992. These lost work days equal 784 person years over the entire six-year period or the equivalent of 89 state employees missing work every day in FY 1992 due to work-related injuries. (TABLE 4.3).

#### 4. COST OF THE CURRENT PROGRAM (Continued)

##### 4.4 LOST TIME (Continued)

**TABLE 4.3**

**LOST TIME ACCUMULATED BY FISCAL YEAR  
FROM FILES SAMPLED  
(FY 1987-1992)**

FISCAL YEAR	# CASES	% OF SAMPLE	# DAYS LOST	AVG. DAYS LOST PER CASE	% CHANGE	# PERSON YEARS
1987	16	22.2%	1,689	105.6		6.5
1988	21	30.0%	2,387	113.7	7.7%	9.2
1989	18	24.3%	1,274	70.8	-37.7%	4.9
1990	10	13.7%	743	74.3	4.9%	2.9
1991	19	26.0%	939	49.4	-33.5%	3.6
1992	26	34.2%	1,104	42.5	-14.0%	4.2
1987-1992	110	25.1%	8,136	74.0	-59.8%	31.3

Source: LBA analysis of 438 workers' compensation claim files for FY 1987-1992.

##### 4.5 MOST ACTIVE AGENCIES

Between FY 1987 and FY 1992, an annual average of 46 state agencies filed workers' compensation claims — 47 agencies filed claims in FY 1987; 48 agencies in FY 1988; 45 agencies in FY 1989; 44 agencies each in FY 1990 and 1991; and 46 agencies in FY 1992. Of the total \$25.4 million in workers' compensation claims losses for the six-year period, five agencies with the most expenditures accounted for \$15.9 million (62.6%) of the total. Expenditures for the five agencies and their proportion of the six-year total are as follows:

NH Hospital	\$5.2 million or 20.5%
Department of Transportation	\$4.9 million or 19.3%
Department of Corrections	\$2.7 million or 10.6%
Department of Safety	\$1.7 million or 6.7%
Liquor Commission	\$1.4 million or 5.5%

#### 4. COST OF THE CURRENT PROGRAM (Continued)

##### 4.5 MOST ACTIVE AGENCIES (Continued)

In terms of growth in expenditures for these agencies, the Liquor Commission experienced increased expenditures of 485.7 percent between FY 1987 and FY 1992; the Department of Safety increased 255.1 percent; the Department of Corrections increased 184.3 percent; NH Hospital increased 118.9 percent; and the Department of Transportation increased 109.7 percent. (TABLE 4.4).

**TABLE 4.4**

**COMPARISON OF WORKERS' COMPENSATION LOSSES  
FOR AGENCIES WITH LARGEST EXPENDITURES  
(FY 1987-1992)**

AGENCY	FY 1987	FY 1992	\$ CHANGE	% CHANGE
LIQUOR COMMISSION	\$99,202	\$581,000	\$481,798	485.7%
SAFETY	114,925	408,118	293,193	255.1%
CORRECTIONS	277,348	788,418	511,070	184.3%
NH HOSPITAL	583,990	1,278,402	694,412	118.9%
TRANSPORTATION	567,073	1,189,300	622,227	109.7%
TOTAL:	\$1,642,538	\$4,245,238	\$2,602,700	158.5%

Source: LBA analysis of NHIFS data.

##### 4.6 LUMP-SUM SETTLEMENTS

In some instances, it may be beneficial to the claimant and the state for a case to be settled with one lump-sum payment, as opposed to weekly indemnity payments. Many factors are considered when determining whether to "lump-sum" a case — type of injury or illness, age of the claimant, the probability that the claimant will return to an original occupation or a lesser-paying one, and the existence of dependents. RSA 281-A:37 authorizes the DOL commissioner to approve a lump-sum settlement of indemnity payments when the best interests of the employee and employer are served. RSA 281-A:37 excludes expenditures for continued medical treatment from being settled in this manner.

The way lump-sum settlements generally work in the state program is that the claimant's attorney submits a proposal to the WCC. The amount of the lump-sum payment is calculated according to criteria prescribed by the DOL. If the WCC agrees that a lump-sum settlement is in the state's best interest, it may approve the settlement and request a hearing at DOL. The primary purpose of the settlement hearing is for DOL officials to be assured of the

## **4. COST OF THE CURRENT PROGRAM (Continued)**

### **4.6 LUMP-SUM SETTLEMENTS (Continued)**

fairness of the settlement and to ascertain if the claimant fully understands the details of the agreement prior to waiving future indemnity payments. Between FY 1987 and FY 1991, 57 cases were settled by a lump-sum agreement with total expenditures of \$1.243 million or about \$21,810 per case.

### **4.7 THIRD-PARTY RECOVERIES**

In situations where a state employee is injured through the actions of someone not employed by the state (a third party) and the injury is compensable through the workers' compensation program, the state may place a lien against any damages recovered by the employee from the third party. RSA 281-A:13 (I) (b) stipulates that the state is entitled to recover all medical and indemnity payments to or on behalf of the employee. If, after the state recovers its reimbursement for medical and indemnity costs an excess amount remains, RSA 281-A:13 (III) (b) (2) allows the excess amount to be paid to the injured employee. Third-party recoveries must be approved by the DOL and governor and council. RSA 281-A:13 (V) empowers governor and council to waive all or part of the state's lien. In certain circumstances, the WCC may recommend to governor and council that the state waive a portion of its lien. Sometimes this is done as part of a lump-sum settlement.

Between FY 1987 and FY 1992, the state paid workers' compensation benefits totalling \$525,220 on behalf of 16 claimants injured in third-party actions. Therefore, liens in that amount could have been placed against the third parties. In consultation with the WCC, however, governor and council waived \$306,607 (58.4%) of the liens and recovered \$218,613 (41.6%). The average lien for the 16 cases was \$32,826 with an average recovery of \$13,663. In seven of the 16 cases (43.8%), governor and council waived the entire lien. In only one case did the state seek and recover 100 percent of the lien.

### **4.8 UTILIZATION OF OUTSIDE VENDORS**

The WCC's use of outside vendors for various services was analyzed to determine the number and frequency of different vendors used, the costs incurred by the state for services rendered, and the mechanisms used by the WCC to hire vendors. Types of services provided by vendors were either medical or non-medical in nature. For the purposes of our analysis, medical services were defined as those services which affected the physical well-being of the injured employee — physical therapy sessions or treatment at a hospital emergency room by doctors and nurses for injuries sustained by the employee. We defined non-medical services as all other services, mostly administrative or investigative in nature, but also including such services as case management and vocational rehabilitation.

#### 4. COST OF THE CURRENT PROGRAM (Continued)

##### 4.8 UTILIZATION OF OUTSIDE VENDORS (Continued)

Between FY 1987 and FY 1992, 14 different non-medical services vendors were retained by the WCC. Of the 14 vendors used, eight (57.1%) provided medical management and vocational rehabilitation services totalling \$1.1 million, and six (42.9%) provided investigative services totalling \$66,728. For all fiscal years, expenditures for non-medical outside vendors increased 614.3 percent from \$52,757 in FY 1987 to \$376,824 in FY 1992. (TABLE 4.5)

**TABLE 4.5**

**UTILIZATION OF OUTSIDE VENDORS  
FOR WORKERS' COMPENSATION CLAIMS  
(FY 1987-1992)**

FISCAL YEAR	MEDICAL MGMT. AND VOCATIONAL REHABILITATION	INVESTIGATION	TOTAL	% CHANGE
1987	\$50,274	\$2,483	\$52,757	
1988	88,907	2,875	91,782	74.0%
1989	93,052	1,826	94,878	3.4%
1990	166,055	8,486	174,541	84.0%
1991	324,795	21,017	345,812	98.1%
1992	346,783	30,041	376,824	9.0%
1987-1992	\$1,069,866	\$66,728	\$1,136,594	614.3%
Source: LBA analysis of NHIFS and WCC data.				

Use of outside vendors for non-medical services was also analyzed from sample data collected through our file review. From FY 1987 to FY 1992, we found that in 16 of 438 (3.7%) workers' compensation cases an outside vendor was used to provide non-medical services to an injured state employee. Seven different vendors were used to provide services during this same period. The dollar amount of non-medical services rendered during the audit period in the sample totalled \$56,542. The vendor used most frequently comprised 54.9 percent of total vendor costs at \$31,019, while the second most frequently used vendor comprised 27.1 percent of vendor costs at \$15,318.

## 4. COST OF THE CURRENT PROGRAM (Continued)

### 4.8 UTILIZATION OF OUTSIDE VENDORS (Continued)

We found no evidence that either competitive bidding or written contracts were used when acquiring outside vendors for the workers' compensation program for state employees. Neither could we find a sufficient reason for exempting the use of outside vendors from state purchasing requirements. According to RSA 21-I:18, neither the DAS nor the WCC qualifies for exemption from DAS Division of Plant and Property Management's purchasing oversight. Furthermore, RSA 21-I:11 (II) authorizes the director of the DAS Division of Plant and Property Management to be responsible for the purchase of all goods and services. RSA 21-I:11 (III) further requires the division to use competitive bidding for the purchase of all services except when the best interests of the state are served and the purchase is less than \$2,000 or is a purchase in an approved class; or when, after a reasonable investigation, the service is available from only one source; or when, after a reasonable investigation, the service has a fixed market price from all available sources; or when, in the opinion of the governor, an emergency exists which requires immediate procurement.

None of the above exceptions to competitive bidding applied to the purchasing of outside vendor services by the WCC. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #13 on page 69.)**

# STATE OF NEW HAMPSHIRE WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES

## 5. EMPLOYEE SAFETY PROGRAMS

We examined employee safety programs ("ESPs") to determine the extent to which state agencies have implemented these programs and to determine whether they can help reduce the incidence of injuries in the workplace and subsequent workers' compensation costs. To gain insight into how ESPs operate, the elements of an effective ESP, and the costs and benefits associated with ESPs, we surveyed state agencies and the USNH, surveyed the other New England states, and interviewed representatives of two private insurance carriers, two self-insurance pools, and the City of Nashua.

### 5.1 CURRENT PROGRAMS

According to those interviewed, for an ESP to be effective there must be education of employees on safety policies and procedures, supervisory enforcement of those policies and procedures, and engineering to identify all existing and potential hazards at the workplace and ways to reduce if not prevent injuries from occurring. Furthermore, to establish an effective ESP, an agency must know its organization in terms of the types of injuries, incidence of injuries, and how much work time employees lose due to work-related injuries. By identifying and analyzing three to five years of this information an agency may then adapt an ESP to suit its individual needs.

In order to determine the prevalence and effectiveness of ESPs in New Hampshire we conducted two surveys. The first survey was of 53 state agencies and the USNH. The second survey was of the other five New England states. In the survey we conducted of the state agencies and USNH, 12 (22.2%) agencies reported having a formal ESP. The remaining 42 (77.8%) agencies reported they did not have an ESP. Thirty-six agencies responded with one or more reasons why they did not have an ESP. Of the 54 responses from those 36 agencies, "lack of necessity" was cited 21 times (38.8%), "employee safety is not a priority" was cited 10 times (18.5%), "budgetary concerns" was cited seven times (13.0%), "staffing concerns" was cited seven times (13.0%), and "lack of incentive" was cited two times (3.7%). In addition, "other reasons" was cited seven times (13.0%). Moreover, only eight of the 42 agencies (19%) indicated they plan to establish such a program within the next year. **(For a complete discussion on this subject including our recommendation and the agency's comments, see Observation #14 and #15 on pages 71 and 72.)**



## **5. EMPLOYEE SAFETY PROGRAMS (Continued)**

### **5.1 CURRENT PROGRAMS (Continued)**

The following agencies reported having a formal ESP: the Adjutant General, the departments of corrections, education, environmental resources, labor, and transportation, as well as the New Hampshire Hospital, the Pari-mutuel Commission, the Veterans' Home, the New Hampshire Technical Institutes at Manchester and Stratham, and USNH (Durham). All twelve of those agencies reported having permanent staff whose responsibilities include the development and administration of the program. Eight of the 11 agencies responding to our questions on employee safety committees indicated they have such committees within their safety programs and five agencies reported their safety committees meet on a monthly basis. Ten of the 12 agencies with formal ESPs inform their new employees about the safety program when they are hired. Four of ten agencies with safety programs indicated their programs took from one to three months to design and implement; three reported greater than nine months; two reported between seven and nine months; and one reported between four and six months for design and implementation.

The 12 agency employee safety programs have been in existence anywhere from one to 10 or more years, depending on the agency. Four agencies reported their ESPs had been in existence one to three years, two had been in existence for eight to 10 years, two for greater than 10 years, one for four to seven years, and one for a period other than cited above. Seven of the 12 (58.3%) agencies stated they periodically review their programs for effectiveness and six of eight (75%) respondents stated that the number of workers' compensation claims either decreased or remained constant after the implementation of their safety programs.

Forty-six (85.2%) of 54 agencies responding to our survey, reported maintaining some type of workers' compensation data on their employees. However, 49 (90.7%) of the respondents reported they keep this information in the form of paper records or files. Only three agencies indicated they have an automated system for maintaining workers' compensation data. One possible result of the lack of automation is that many agencies do not have the capability of accessing historical workers' compensation data. It is essential for the effective planning and implementation of employee safety and accident intervention programs that an agency retain and have access to historical claims and expenditure information.

### **5.2 COSTS OF ESPs**

In our survey of state agencies, we attempted to identify costs associated with the implementation of an employee safety program. Six agencies reported that the average cost of establishing an ESP was about \$28,000. Nine agencies reported annual costs associated with their programs. On average, each of these nine agencies spent about \$23,000 per year to maintain their ESPs.

## 5. EMPLOYEE SAFETY PROGRAMS (Continued)

### 5.2 COSTS OF ESPs (Continued)

We interviewed representatives from two private workers compensation insurance carriers, two workers compensation self-insurance pools, and the City of Nashua seeking to compare the cost of the state's workers' compensation program. When comparing the state to private workers' compensation insurance carriers the question was asked, "How, if at all, does the presence of ESPs affect an organization's workers' compensation premium?" Both private carriers told us that the mere presence of an ESP was not enough to reduce an employer's premium for workers' compensation coverage. Rather, the employer must illustrate a reduction in lost time cases and, most importantly, a management commitment to safety beyond the mere presence of an ESP manual. Furthermore, officials at the state Department of Insurance told us that premiums tend to be based on the last three years of an employer's loss experience (not including the current year). Therefore, there most likely would be a time lag before the reduced cost of workers' compensation due to the establishment of a new or improved ESP would be noticeable.

Moreover, the cost of establishing a formal employee safety program will vary according to whether additional staffing is required. Start-up costs of ESPs may include in addition to any staff costs: mileage costs for claims investigations; automation of workers' compensation information such as type and number of injuries; and costs associated with training agency personnel. Obviously, start-up costs could be reduced if agencies utilized current staffing and other available resources. For example, the WCC is in the process of automating workers' compensation information and WCC staff already investigate some injuries. The coordination of training agency personnel on safety concerns might be added to current training curricula on how the workers' compensation program operates. In short, employee safety programs do not have to be costly to be effective.

Any costs of ESPs could also be offset by the benefits associated with such programs. Those benefits should include: reduced numbers of injuries, a safer work environment, reduction in workers' compensation payments, increased productivity due to fewer work days lost by employees out on workers' compensation, continuity of workplace operations, and improved employee morale.

In our state agency survey ten state agencies reported one or more benefits (26 responses in all) they attributed to their ESPs. Those benefits the agencies mentioned agree with the benefits mentioned above. Of the 26 responses "increased education of employees on safe work behaviors" was cited eight times (30.8%), "improved working conditions" was cited seven times (26.9%), "reduced incidence of injuries" was cited five times (19.2%), "reduced lost time due to work-related injuries" was cited four times (15.4%), and "increased control of injury-related costs" was cited two times (7.7%).

## 5. EMPLOYEE SAFETY PROGRAMS (Continued)

### 5.3 COMPARISON WITH OTHER NEW ENGLAND STATES

In addition to analyzing the prevalence of ESPs within state government, we also conducted a mail survey to compare ESPs in Connecticut, Maine, Massachusetts, Rhode Island, and Vermont. All five of the other New England states reported that at least some of their agencies have formal employee safety programs. Connecticut and Maine reported that every agency has such a program. Massachusetts reported 53 of 150 (35.3%) of its agencies have ESPs. Rhode island reported that five of 25 (20.0%) of its agencies have ESPs and Vermont reported one of five (20.0%) of its agencies has an ESP. The average for all states was 55.1 percent of their state's agencies have ESPs. In addition, all five states reported having automated claims management systems for workers' compensation and that they retain program data anywhere from four to seven or more years. Finally, all states reported they use the data for expenditures, claims activity, and injury type analyses. (TABLE 2.1)

# STATE OF NEW HAMPSHIRE WORKERS' COMPENSATION PROGRAM FOR STATE EMPLOYEES

## 6. PROGRAM ALTERNATIVES

To determine the relative efficiency of the state's current workers' compensation program, we examined two alternatives as comparisons — a public, non-profit self-insurance pool and private sector insurance. As with most alternatives, there are advantages and disadvantages to any option. The main advantages in joining a self-insurance pool are spreading the risk among multiple employers and, therefore, reducing the cost to each participating employer; having claims management services handled by an outside source with less risk of injecting bias into the process; and having data collection and reporting customized to each employer's needs.

The advantages to privately insuring include some of those listed with the self-insurance pool option, plus private insurance companies have the added incentive to be competitive in the marketplace. This forces private insurance companies to be more creative in offering services to its clients and, should the current contractor prove inadequate, the employer usually has the option of selecting a new company. However, with these potential benefits come some disadvantages including a loss of control over the program, potentially higher administrative costs, the profit cost associated with private insurers, and a lack of continuity in operations or coverage if it becomes necessary to change outside contractors for any reason.

In our analysis and comparison with state government, we chose to review data from a public, nonprofit self-insurance pool with over 350 members across the state, including cities, towns, school districts, housing authorities, and utility districts. The pool represents public employer members with a combined 1992 payroll of over \$590 million. We also reviewed data from private sector employers in the state who are insured by over 220 private companies licensed to sell workers' compensation coverage in New Hampshire. The private insurers represent employer clients with an aggregate 1991 payroll of \$9.5 billion.

### 6.1 LOSS RATE COMPARISONS

As discussed above, we reviewed claims losses associated with the state government workers' compensation program and determined those losses had been increasing at an average of 17.7 percent annually over the last six fiscal years and had increased 123.2 percent from FY 1987 through FY 1992. In examining loss rates for the state program, we had also determined that the state's loss rates had increased some 63.4 percent as well.

## 6. PROGRAM ALTERNATIVES (Continued)

### 6.1 LOSS RATE COMPARISONS (Continued)

With information provided by the non-profit self-insurance pool, we calculated loss rates for the same six-year period in the same manner as with the state government program to get a comparable loss rate figure. Where state government loss rates increased 63.4 percent over the period with an average annual increase of 10.6 percent, the non-profit self-insurance pool's rate increased 49.6 percent with an average annual increase of 10.7 percent. Additionally, for the entire period, the aggregate loss rate for the pool was 18.4 percent less than state government.

In comparing the state workers' compensation program with the entire private sector work force, we used the same methodology, except that we could only examine five years' worth of data because 1992 data were unavailable. After analyzing wage information provided by the Department of Employment Security and statewide loss information provided by the Department of Insurance, we determined the private sector had the highest loss rates of the three groups reviewed. However, the loss rates from year to year were the most stable in the private sector. Over the five years reviewed, the loss rates increased 37.1 percent as compared with 63.4 percent for state government and had an annual average increase of 8.4 percent. The aggregate loss rate for the private sector exceeded that of state government by 25.8 percent. (TABLE 6.1).

**TABLE 6.1**

**COMPARISON OF LOSS RATES PER \$100 OF PAYROLL  
FOR STATE AGENCIES, A PUBLIC SELF-INSURANCE POOL, AND  
NEW HAMPSHIRE PRIVATE SECTOR EMPLOYERS  
(FY 1987-1992)**

<b>FISCAL YEAR</b>	<b>STATE AGENCIES</b>	<b>% CHANGE</b>	<b>SELF- INSURANCE POOL</b>	<b>% CHANGE</b>	<b>PRIVATE SECTOR</b>	<b>% CHANGE</b>
1987	\$1.31		\$1.15		\$1.78	
1988	1.36	3.8%	1.20	4.3%	1.95	9.6%
1989	1.51	11.0%	1.12	-6.7%	1.98	1.5%
1990	1.51	0.0%	.99	-11.6%	2.07	4.5%
1991	1.81	19.9%	1.54	55.6%	2.44	17.9%
1992	2.14	18.2%	1.72	11.7%	N/A	N/A
1987- 1992	\$1.63	63.4%	\$1.33	49.6%	\$2.05	37.1%

Source: LBA analysis of NHIFS data and additional information provided by the NH Department of Employment Security, NH Department of Insurance, and the public self-insurance pool.

## 6. PROGRAM ALTERNATIVES (Continued)

### 6.2 ESTIMATED COSTS FOR ALTERNATIVES

Another way to view the relative efficiency of the current program is to apply the loss rates discussed above against the state government's annual payroll while keeping in mind that the state's expenditures for workers' compensation claims increased 123.2 percent from \$2.9 million in FY 1987 to \$6.6 million in FY 1992.

When the non-profit self-insurance pool's loss rates are applied to the state government's payroll for each year during the period, the estimated losses were less than state government's actual losses each year. For example, the FY 1990 estimate of \$2.8 million was 34.6 percent less than state government losses of \$4.3 million for the year. The difference in the pool's estimate and state government's losses ranged from a low of 11.7 percent in FY 1988 to a high of 34.6 percent in FY 1990. Over the entire six years, the pool's aggregate loss rates applied against state government payrolls produced estimated costs of \$21.3 million. That was 20.2 percent less than the state government actual losses of \$26.7 million for the period.

Applying the private sector's aggregate loss rates against state government payroll produced costs higher than actual state government workers' compensation expenditures. In other words, the state government workers' compensation program was, dollar for dollar, more efficient in its operations during the period than were the aggregate of private employers insured by private workers compensation insurance carriers. Private sector-applied loss rates produced estimated costs for the state that were higher each year from a low of 31.4 percent in FY 1989 to a high of 43.6 percent in FY 1988. Because FY 1992 data was unavailable, we could only compare five year's data for the private sector. Over this period, private sector aggregate loss rates applied to state government payrolls produced estimated costs of \$27.4 million. Those costs were 36.1 percent higher than the state government's actual workers compensation claims losses of \$20.1 million for the five years. (TABLE 6.2).

## 6. PROGRAM ALTERNATIVES (Continued)

### 6.2 ESTIMATED COSTS FOR ALTERNATIVES (Continued)

**TABLE 6.2**

**COMPARISON OF ACTUAL LOSSES TO ESTIMATED COSTS  
APPLYING PUBLIC SELF-INSURANCE POOL AND PRIVATE SECTOR LOSS RATES  
(FY 1987-1992)**

FISCAL YEAR	ACTUAL LOSSES	% CHANGE	APPLYING POOL RATES	APPLYING PRIVATE RATES	POOL % DIFF.	PRIVATE % DIFF.
1987	\$2,935,797		\$2,586,512	\$4,003,471	-11.9%	36.4%
1988	3,312,408	12.8%	2,926,526	4,755,605	-11.7%	43.6%
1989	4,167,479	25.8%	3,098,208	5,477,190	-25.7%	31.4%
1990	4,320,292	3.7%	2,825,434	5,907,726	-34.6%	36.7%
1991	5,385,205	24.6%	4,576,252	7,250,686	-15.0%	34.6%
1992	6,553,634	21.7%	5,271,884	N/A	-19.6%	N/A
1987-1992	\$26,674,815	123.2%	\$21,284,816	\$27,394,678	-20.2	36.1%
<p>Note: Estimated costs applying pool and private sector loss rates were calculated multiplying the respective loss rates (losses/payroll covered x 100) x the state government payroll, then dividing by 100.</p> <p>Source: LBA analysis of NHIFS data and additional information provided by the NH Department of Employment Security, NH Department of Insurance, and the public self-insurance pool.</p>						

**STATE OF NEW HAMPSHIRE  
WORKERS' COMPENSATION PROGRAM  
FOR STATE EMPLOYEES**

**7. CONCLUSION**

While dollar for dollar New Hampshire's workers' compensation program for state employees has operated relatively efficiently over the past six years compared to other alternatives, there are several major areas of concern which appropriate state officials should immediately address in order to make the program more effective.

The most serious weakness is a lack of strong management oversight across the breadth of the program. The legislature might wish to review the way the program is structured and consider whether the WCC board is necessary to effectively administer the workers' compensation program. If it is determined that the WCC provides a useful function, the legislature might consider clarifying who is ultimately responsible for the daily administrative operations of the program — the DAS commissioner or the WCC board.

Another weakness in the program is the absence of budgeting for workers' compensation. Currently no one is required to budget for the program beyond budgeting for WCC administrative expenses, a very small portion of total program costs. Indemnity, medical, and other payments are simply paid from funds not otherwise appropriated. State agency managers should be given much more of a role in planning for workers' compensation costs and a stake in monitoring those costs.

Additionally, the workers' compensation program for state employees lacks an adequate management information system. Documentation of vital information must become second nature with this program as it is with the medical records management operation of any health care program. Accessibility to available information is another problem that can and should be solved with reasonable automation of program data.

Finally, management should require immediate and strict compliance with various statutory requirements particularly those dealing with the state's purchasing and right-to-know laws.

Clarification of these issues and a general tightening of management oversight will contribute to a more efficient use of state resources and decrease the state's risk of exposure to misuse or abuse of the program by employees, agency management, or outside vendors. With health care costs rapidly increasing, it's in the state's best interest to maximize the efficiency and effectiveness of the workers' compensation program for state employees to the greatest extent possible.



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**STATE OF NEW HAMPSHIRE  
WORKERS' COMPENSATION PROGRAM  
FOR STATE EMPLOYEES**

**OBSERVATIONS**

**OBSERVATION NO. 1: LACK OF CLEAR AUTHORITY**

The staff for the WCC appears to be conducting business without sufficient, legal authority. RSA 21-I:23 (IV) empowers the WCC to delegate limited authority to the commissioner of administrative services to designate personnel in the department to review all state employee workers' compensation claims and to make an initial determination of the merits of such claims. RSA 21-I:23 (V) requires the WCC to meet as often as necessary to review all claims and make the final determination. However, according to both the WCC administrator and chairman, not all claims are presented to the WCC for its review and disposition. In fact, according to the former WCC staff administrator the WCC considers only those claims involving some type of dispute, those which have some medical or legal question pending, and those cases which may be settled for more than \$50,000. According to the WCC chairman, these kinds of cases only comprise about five to 10 cases per monthly meeting. If the WCC only reviews 60-120 cases annually, the WCC's staff is being allowed to make determinations on the vast majority of claims in any given year. In fiscal year 1991, for example, there were 1,714 claims filed for benefits. Given this example, the WCC board would have reviewed only between 3.5 and 7 percent of the claims filed in 1991.

In addition to providing only a small portion of claims to the WCC board for its consideration, the staff also routinely determines which claims to settle and which ones continue receiving indemnity payments. An analysis of relevant statutes and administrative rules did not disclose the authority for WCC staff to selectively present claims to the WCC, to establish a threshold for settling claims, or to make the determination as to which claims would be most efficient for the state to settle. As mentioned in a separate observation, since no record of WCC meetings is kept, there is little documentation as to which claims were presented to the WCC and what the justifications were for the decisions made on individual claims. Because of this operating structure, there is a lack of internal control to ensure that each claim received appropriate consideration and each claimant received equal treatment.

**RECOMMENDATION:**

We recommend the DAS commissioner and WCC board increase their oversight of WCC staff, determine whether the WCC should review all claims as required in RSA 21-I:23 (V), increase compliance with existing statutes, and determine whether changes to the existing statutes and administrative rules are necessary to increase the effective oversight and operation of the WCC's activities.

**OBSERVATION NO. 1: LACK OF CLEAR AUTHORITY (Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that the current Statute RSA 21-I:23 needs to be examined more closely to ensure compliance and consider reform. It is clear that the Commission's function is not that which the Statute intended. It is not clear, however, whether the Statute is appropriate given the volume and complexity of claims occurring on a day to day basis. It would be a disadvantage to the State if a Commission, meeting once a month, retained absolute authority over day to day claim decisions. It is far more practical and cost effective for the Commission to relinquish or disseminate their authority by delegation, to full-time members responsible for the daily functions and claim handling, and reserve authority only for exposures of a unique nature and cases that reach a monetary threshold established for review. Evidence of this delegation with its detail can be documented in Commission meeting minutes after it has been placed to a vote.

**OBSERVATION NO. 2: OPERATING POLICIES AND PROCEDURES**

The WCC has no written policies and procedures to govern their daily activities. According to the WCC administrator, staff do not have adequate time to devote to the development and implementation of such policies and procedures. However, having written policies and procedures is a basic management responsibility. Such written guidance helps to ensure mutual understanding of operations and responsibilities between staff and management, grants legal authority to perform certain functions, minimizes training time for management when hiring new staff, assigns accountability, and assists with continuity of operations over time.

If the WCC continues to operate without written operating policies and procedures, scarce staff resources may be used inefficiently. If employee turnover occurs, staff persons may be unclear about management expectations of their work, and continuity of daily activities may be disrupted if any change in management personnel occurs.

**RECOMMENDATION:**

We recommend the DAS commissioner direct the staff to develop and implement comprehensive policies and procedures which reflect not only the informal practices currently in existence, but the goals and standards the commissioner and WCC may seek to establish to more effectively manage the operation of the workers' compensation program.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that Policies and Procedures are necessary to effectively manage the operation of the workers' compensation program. The new Administrator is currently developing such a manual and is targeted for completion by May 1, 1993.

### OBSERVATION NO. 3: EXPIRED ADMINISTRATIVE RULES

There are no administrative rules in effect for the WCC. RSA 21-I:23 (I) requires the WCC to "adopt rules, pursuant to RSA 541-A, relative to processing claims of state employees..." However, upon review of N.H. Administrative Rules, WOR 100-300 and discussions with the WCC administrator, it was disclosed that the most recent rules were adopted February 1, 1984, but expired February 1, 1990, nearly three years ago. As of January 1, 1993, the WCC had still not adopted administrative rules.

According to the WCC administrator, revised rules were scheduled to be adopted by July 1992. However, existing rules expired and there is no clear indication when new rules will be established.

Without administrative rules in effect, the WCC may lack the legal authority to effectively carry out its responsibilities. Moreover, procedures governing the appeals of the WCC, and responsibilities of workers' compensation agents may not be legally binding if challenged by any parties involved.

#### RECOMMENDATION:

We recommend the DAS commissioner and WCC review existing administrative rules, revise appropriate sections where necessary, and seek adoption and implementation as soon as possible.

#### AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:

We concur that administrative rules for the Workers' Compensation Commission have expired. These expired rules need to be reviewed and a determination made as to whether they are still applicable. If so, we will seek adoption as soon as possible. If not, revisions will be sought after comparisons are made with the completed Policy and Procedures Manual. The Commission was advised that this would be the appropriate sequence of events given that both the Administrative Rules and Policies and Procedures have both expired.

### OBSERVATION NO. 4: MINUTES OF COMMISSION MEETINGS

Meetings of the WCC are not recorded and minutes of such meetings are not prepared, even though the WCC serves a quasi-judicial function in determining whether claims by state employees for workers' compensation benefits will be accepted or denied. RSA 91-A:2 (II) requires that minutes be promptly recorded and made available within 144 hours of a public meeting. RSA 91-A:3 (III) requires that minutes be prepared and a record of all actions be made available for public inspection within 72 hours of a nonpublic meeting, unless a recorded vote of two-thirds of the members present determines that revealing the information would adversely affect the

**OBSERVATION NO. 4: MINUTES OF COMMISSION MEETINGS (Continued)**

reputation of a person other than a member of the board or agency itself. Benefits paid under the workers' compensation program are allocated from the general fund and, therefore, are public funds. In addition, WCC members receive \$75 per day and are reimbursed for expenses relating to commission business. Since the WCC is a public body and the workers' compensation program draws from public funds, documentation should be maintained of WCC meetings to ensure that claimants receive consistent treatment and decisions rendered by the WCC are unbiased in appearance and substance.

According to the WCC administrator, minutes should be prepared of commission meetings but they are not because of inadequate staff support. However, relevant statutes do not appear to prohibit the use of electronic recording equipment in preparing a record of WCC meetings. Use of such equipment would require a minimum of WCC staff time. The WCC chairman agreed that keeping minutes of the highlights of meeting activities would be a good measure for documenting case decisions and recommendations.

**RECOMMENDATION:**

We recommend DAS determine the most efficient method to document WCC meetings and to implement the preferred method at the earliest possible occasion.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that Commission meetings should be documented and available for public inspection. These meetings are currently being documented by the Administrator where minutes have been prepared since September 1, 1992. Employee names are not disclosed, where a case number is assigned and referred to instead, to preserve confidentiality.

**OBSERVATION NO. 5: INADEQUATE VENDOR PAYMENT PROCESS**

The current process to review, approve, and pay vendors for workers' compensation-related services is inconsistent, promotes inefficiency, and may delay timely payment. After a claim is approved by the WCC, a state employee may incur a variety of medical expenses related to the accident or illness. RSA 281-A:23 (I) requires employers or their insurance carriers to furnish injured employees with reasonable medical, surgical, and hospital services, remedial care, nursing, medicines, and mechanical and surgical aids. In addition, injured employees have the discretion of selecting physicians of their choice. Upon receiving treatment, the service provider may bill the claimant, the claimant's agency, or the WCC directly. The WCC has no written policy or procedure which gives guidance to agencies regarding vendor billing. According to the agencies we contacted, there has been no direction from the WCC as to what procedure should be used in service provider billing. Agency personnel indicated that they receive

**OBSERVATION NO. 5: INADEQUATE VENDOR PAYMENT PROCESS (Continued)**

invoices from service providers and the WCC. Since the WCC must ultimately approve the invoice prior to payment, the process is unnecessarily delayed if invoices are sent from the provider to the agency, then to the WCC for approval, and then back to the agency for preparation of the payment voucher. As a result of the current practice, one of the state's largest agencies indicated it receives at least four contacts per month from service providers inquiring why they have not received payment for services previously rendered. In addition to delaying the payment process, the state may be subject to interest or penalties assessed by the provider for not making timely payments.

Another deficiency related to the current vendor payment process is that of double billing for services. Four of the state's largest agencies indicated that on at least one occasion the WCC has approved invoices for payment when, after further investigation by agency personnel, it was determined the invoice had previously been paid. The WCC's process for reviewing and approving vendor invoices has contributed to a situation where the state could approve duplicate payments for services. This problem becomes particularly important since the majority of the state agencies we surveyed indicated they rely on the WCC to determine the validity of claims, whether services provided are appropriate, and whether charges are accurate.

**RECOMMENDATION:**

We recommend that DAS establish uniform vendor billing procedures which streamline and add consistency to the process. The department should also examine its process for reviewing and approving vendor invoices to ensure that the risk of duplicate payment for services is avoided. Upon development of these written procedures, they should be disseminated to all agencies and appropriate training sessions should be conducted with agency personnel.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that past procedures for reviewing, approving, and paying vendors for services was not efficient. It should be noted that this observation was also made by the new Administrator upon hire September 1, 1992 and measures were taken to correct this deficiency before the audit made it known as an observation.

The Commission has recently created a form letter to assist in providing consistency and efficiency in the prompt handling of vendor billings. The Commission will issue this form letter to every employee filing a claim upon our receipt of the First Report of Injury. This form letter will identify the claim handler assigned to their case with a direct telephone number, as well as directing all questions, bills and medical records be sent to the claim handler assigned to allow for timely review and decisions relative to benefits entitlement in accordance with Statute. The Policy and Procedures Manual will also address this issue and point out to the agencies that they should also direct providers to send all billings to this Commission.

**OBSERVATION NO. 5: INADEQUATE VENDOR PAYMENT PROCESS (Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES (Continued):**

To reduce the risk of possible duplicate payments, as well as promote a more efficient tool in referencing total paid to date figures, the Commission has been utilizing a payment log to track all invoices approved for payment. This log was also implemented by the new Administrator prior to knowledge of this being an audit observation. The log tracks the date the invoice is received, date approved, vendor name, dates of service covered, amounts, and whether or not records associated with this treatment were received and are on file for review.

However, these procedures only address the deficiencies within the Commission and do not respond to delays in agencies producing manifests, and delays in producing the actual check. This is important to note as Statute requires that medical bills be paid within 30 days of receipt or denied in writing as to the reasons for same denial. Again, it is the Commission's opinion that the practical solution is for the Commission to become fully automated where all indemnity, medical and other expenditures are processed in-house. This would shorten response time in issuing checks after review and approval, as well as allow for storage of detailed data to enable dissection of data needed for trending and forecasting.

**OBSERVATION NO. 6: ANNUAL REPORTS**

Based on a review of annual reports prepared by the WCC for FY 1987 through FY 1991, it was disclosed that these reports were not submitted in a timely manner. Furthermore, at least four of the five reports were prepared and submitted so late after the end of the fiscal year that their potential usefulness as a planning tool for governor and council and the legislature was severely limited. RSA 21-I:23 (VI) (a-c) requires the WCC to report annually to the governor and council on its activities, advise on problems involving workers' compensation procedures and make recommendations for change, and to report work injury data relative to state employees. The number of days for a report to be submitted at the close of a fiscal year ranged from a minimum of 128 days (1987) to a maximum of 986 days (1989). Other years' annual reports were submitted 272 days later (1988), 621 days later (1990), and 256 days later (1991). The average elapsed time for a report to be submitted after June 30 of a particular fiscal year was 453 days — almost 15 months after the period. To operate effectively, it is imperative that the most recent data is available to governor and council and legislators so that they may make informed decisions about the workers' compensation system.

**OBSERVATION NO. 6: ANNUAL REPORTS (Continued)**

If timely information is not provided to those who oversee the workers' compensation system, the state may waste scarce resources and be ineffective in efforts to target training, education, and prevention programs to reduce injuries to state employees.

**RECOMMENDATION:**

We recommend DAS strive to improve its timeliness in the gathering, summarizing, and reporting of state employee injury data. To assist in the timely and accurate reporting of information, the WCC should automate activity and loss data to the greatest extent possible.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that the timely gathering, summarizing, and reporting of state employee injury data to Governor and Council, Legislators, agencies, and the Commission itself, is vitally important to adequately plan for managing associated costs. The Commission now possesses a complete data base (exclusive of financial information which Bureau of Accounting stores). The collection of this data however, presently requires duplicate keying by a Commission employee to maintain the financial data (housed by Bureau of Accounting) and all other statistical data (housed by the Commission). These two systems are not compatible, and the majority of the information keyed into the Commission's data base is limited in meaning as these statistics are not capable of documenting a dollar amount associated with types of claims or individuals. The system currently utilized by the Commission is also slow and inefficient as it is maintained on obsolete hardware. The Administrator is currently working with Bureau of Accounting and Financial Data Services to investigate whether one system can be utilized to store all data, to produce comprehensive meaningful reports.

Separate from this issue is that of timely filing of the Annual Report to Governor and Council. The new Administrator will give priority to the reporting of this information within 30 days from the end of each fiscal year.

**OBSERVATION NO. 7: WORKERS' COMPENSATION PROGRAM DATA**

Data for the state workers' compensation program is inadequate for WCC board members, the governor and council, and the General Court to make informed decisions about workers' compensation in the state. In discussions with WCC staff, the attorney general's office, and a review of information provided by the WCC, it was clear that even minimal program information was not maintained or, if maintained, was virtually inaccessible. RSA 21-I:23 (VI) requires the WCC to compile work injury data relative to state employees and include such data in its annual reports. However, only minimal information



**OBSERVATION NO. 7: WORKERS' COMPENSATION PROGRAM DATA (Continued)**

on the numbers of claims and hearings, expenditures for compensable claims and third-party settlements is reported to governor and council. To effectively manage the workers' compensation program and plan for future activity, certain descriptive and trend data should be readily available to all those having responsibility for the workers' compensation system. Examples of the types of information the WCC should have organized and available for any given period include: the number and types of injuries incurred by state employees, the frequency of injuries by type, the agencies having the most active claims activity, the amount of medical costs and awards by agency, the ability to readily identify those claims which have been in progress the longest period of time, and the ability to identify trends in injury type or costs.

Although some of the information listed above may be available in the workers' compensation files themselves or in other scattered locations, it is not readily accessible in any summary form. Therefore, for someone to access and compile this information, manual review of the thousands of files stored in the WCC's office or at the archives warehouse would be required. Moreover, the WCC has not conducted any comprehensive analysis of the available data to improve the operation of the workers' compensation system.

Without the availability of program data in a useable format, those involved in managing the workers' compensation system cannot make informed decisions about policies and procedures, adequately plan for program growth, or determine the fiscal impact of workers' compensation on the state's budget.

**RECOMMENDATION:**

We recommend DAS commit the necessary resources to gather, analyze, summarize, and disseminate program data in a form that would be useful to governor and council and the General Court. In addition, DAS should require a periodic analysis of trends in the program be conducted and that more comprehensive information be provided in the WCC's annual reports.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that further resources need to be committed to gather, analyze, summarize and disseminate data useful for trending purposes. (See response to Observation Number 6.) As previously stated, the Administrator is currently working with Bureau of Accounting and Financial Data Services to determine whether the present GHRS/NHIFS program can be adapted to meet the Commission's needs. If not, further consideration needs to be given to purchasing the appropriate hardware and/or software to perform needed storage and reporting of data. This would also mean acquiring more money in the Commission budget, as none is presently available.

**OBSERVATION NO. 8: MISSING WORKERS' COMPENSATION FILES**

The WCC's file management practices are inadequate to support an effective state workers' compensation program. Based on a review of a statistically-valid random sample of state employee workers' compensation files, we found 590 files between FY 1987 and FY 1992 were lost or otherwise inaccessible. This is significant because these files are the basis for documenting the types of injuries sustained by state employees, related medical costs, the situations which contributed to the injuries, any investigations conducted and their results, justifications and results of hearings and appeals, and the overall history of the claims.

We conducted a file review of workers' compensation files of state employees for FY 1987 through FY 1992. To achieve a 95 percent confidence level, we examined WCC claim logs to ascertain the population of claims for each year and then determined the appropriate sample size for the established parameters. According to WCC records, a total of 10,978 claims were filed for the six-year period. A sample size of 70 files for each fiscal year was required to satisfy the 95 percent threshold. In addition to the base sample size, we oversampled by 10 percent to help ensure that at least the minimum number of files would be located by WCC staff. We requested a total of 462 files from the WCC for review. Of the 462 files, WCC staff were unable to locate 24 files (5.2%). The proportion of misplaced or lost files varied from a minimum of 1.3 percent (FY 1992) to a maximum of 9.1 percent (FY 1988). Using the percent of missing files from the sample for each fiscal year and then generalizing to the six-year population, we estimated the number of lost files would be 590 (126 in FY 1987; 185 in FY 1988; 72 in FY 1989; 97 in FY 1990; 89 in FY 1991; and 21 in FY 1992). After subsequent searches conducted by WCC staff between December 1992 and February 1993, 19 additional files were located reducing the number of missing files to 5 of 462 (1.1%). However, we estimated the number of missing files for the six-year period for the population of claims to be 121.

During our review the WCC retained paper records on claims in its office for the current year plus two prior years. Files for claims which occurred before this period were stored at the state archives. An exception to this procedure was for "open" claims, i.e., the employee is receiving indemnity or medical payments. These files are retained in the WCC's office regardless of when the injury occurred. One cause for the extent of missing files may be the large amount of documents which flow through the WCC's office. Moreover, if the WCC administrator, two additional adjusters, and two support staff are regularly accessing and replacing these files, the probability for misplacing a particular file is increased. This problem is aggravated by the lack of automation of the WCC's program data, which was mentioned in another observation. Since the WCC is the central authority for state workers' compensation claims management, this deficiency of not being able to readily access any claim file, regardless of the location, cannot be minimized.

**OBSERVATION NO. 8: MISSING WORKERS' COMPENSATION FILES (Continued)**

If the WCC's file management practices are not revised or automated in such a way as to enhance the accessibility of claims information, the state may unduly waste scarce resources in lost staff time searching for or attempting to recreate missing files, important historical data may be lost, and the WCC's ability to respond to inquiries from claimants, state agencies, or the public in a timely manner will be restricted. In addition, legal or monetary liabilities may be incurred if injured employees appeal WCC decisions and the state cannot produce the pertinent information on which it based its decision to approve or deny claims.

**RECOMMENDATION:**

We recommend DAS review the existing file management practices and develop a comprehensive file management system with specific retention guidelines to ensure that all workers' compensation claim files for state employees are readily accessible to any appropriate party desiring access. The system implemented should also have the ability to track the exact location of all files from the initial recording in the claims log to office files and eventually to specific locations within the state archives.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that file management and tracking practices were inadequate as 24 of 462 files requested within a six-year sample could not be located readily. After a subsequent search, however, we did locate all but five files. Corrective action has been taken by the Commission where a more simplified filing system was created and a detailed tracking log implemented for those files being sent to Archives for storage. As the Audit Division has now witnessed first hand, the Commission's filing system has recently been converted to filing all claim files by claimant last name. This was actually accomplished prior to the audit identifying this area as a weakness, where the new Administrator recognized the inefficiency soon after starting work September 1, 1992. Although the re-filing is complete, file construction and retention/tracking procedures is ongoing as it involves converting approximately 7,200 claim files currently housed on site. The Commission intends to implement a file management system where a tab folder identified by claimant name, date of accident, agency and claim handler assignment code will house every claim file. This tab folder will act as the master index and should never be removed from the cabinet. Every tab folder will contain a straight folder which will house all the claim file documents. This straight folder and documents can be pulled from the file cabinet when a file is needed. When a file is identified to be closed/inactive and appropriate for referral to archives the tab folder will be marked with an "X" over the label on the tab, the straight folder and documents removed, and a photocopy of the shipment document identifying date sent and box number involved replaced in the tab folder to remain on site. Retention guidelines will be developed consistent with Statute and file activity, and included in the Policy and Procedure Manual.

**OBSERVATION NO. 8: MISSING WORKERS' COMPENSATION FILES (Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES (Continued):**

Support for preserving claim statistical data after files have been shipped off site has also been implemented. Beginning with fiscal year 1992 selective detail from every claim received by the Commission is keyed into our database. This information is maintained as active and inactive files within the database, and inactive files are stored on a disc even after the claim file itself has been shipped off site.

Of course, the most effective and efficient solution would be for the Commission to become fully automated for all claim file data, current and historical, is always available electronically even when hard copies no longer exist.

As the Commission currently must address this deficiency by manual methods, while still maintaining daily production needs, project completion is targeted for September 1, 1993.

**OBSERVATION NO. 9: INSUFFICIENT DOCUMENTATION OF WITNESSES**

We reviewed a sample of workers' compensation files from FY 1987 through FY 1992, to determine whether the WCC had adequate documentation to support the validity of each claim. A total of 462 files were requested for review from the WCC. Twenty-four files (5.2%) could not readily be found. Of the remaining 438 files reviewed, 218 (49.8%) had neither a witness statement attesting to the facts surrounding the accident, nor any written acknowledgement by the employee's supervisor stating that no witness was present at the time of the injury. By using the percent of files in the sample without witness statements (49.8%) for the six-year period reviewed and by generalizing to the population of workers' compensation claims (10,978), we estimated that 5,467 (10,978 x 49.8%) files may not have this type of documentation. In addition, we found that even when a witness statement was present in the case file, it may be handwritten, have no standard format, and have inconsistent information.

According to the administrator of the WCC, a witness statement should be included in the case file if a witness was present. Further, if there were no witnesses to the alleged injury, the case file should reflect that fact with a statement from the injured employee's supervisor. In addition, since the WCC is the central authority for state workers' compensation claims management, it is a good business practice and a common sense requirement to keep on record the name, address, and statement of any witness. State agencies have the right to expect that the WCC will require and keep such basic documentation in case files.

**OBSERVATION NO. 9: INSUFFICIENT DOCUMENTATION OF WITNESSES (Continued)**

The cause of this lack of basic documentation stems in large measure from inadequate management and oversight by the WCC and DAS as evidenced by the lack of written policies and procedures. Furthermore, WCC staff had not communicated the necessity of providing basic documentation to three of the largest state agencies and the University System of New Hampshire, which generate some of the highest workers' compensation expenditures.

Lack of such basic documentation makes it difficult for the state to be fully prepared to challenge questionable claims and possibly reduce the number of cases which are appealed. This increases both the risk of abuse to the workers' compensation program and costs to the state.

**RECOMMENDATION:**

We recommend DAS develop a standard operating procedure instructing each agency that a witness statement or supervisory acknowledgement must be submitted along with the Employer's First Report of Injury when a workers' compensation claim is filed. The witness statement should be legible and at a minimum indicate the time and date of injury, name and address of the witness (or witnesses), and a description of what the witness observed. If there was no witness present at the time the employee was injured, the supervisor of the injured employee should submit a signed statement acknowledging this fact. Once the witness statement or supervisory acknowledgement is received, the department should maintain the original in the claimant's case file.

We also recommend the department organize claimant case files with a checklist on the inside pocket of the file. The checklist should include forms required by DOL, such as the Employer's First Report of Injury, Memo of Payment, First Medical Report of Injury, and Supplemental Report of Injury, and other forms which may be necessary as background information for the claim if the case goes to hearing. When a WCC employee checks off a form on the list as it is placed in the claimant's case file, the employee should also write his or her initials next to the name of the form on the checklist. This measure would increase accountability of WCC staff. This relates to several other observations on improving file management for the workers' compensation program.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that case files lacked consistency in addressing whether witnesses to alleged work related accidents existed, and when they were evident in the file, lacked consistent format.

The Policy and Procedure Manual will require each agency submit a consistent witness statement (W/C Form 11 designed by the Commission) with every Employer's First Report of Injury. If there were no witnesses to the alleged accident, the supervisor will submit a signed statement acknowledging an unwitnessed event. The witness statement and signed

**OBSERVATION NO. 9: INSUFFICIENT DOCUMENTATION OF WITNESSES (Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES (Continued):**

statement by the supervisor will contain information fully identifying the witness and events witnessed as to be of value even years after the incident should these people no longer be employed with the State.

Case files will also include a checklist outlining required documentation to be initialed and dated by the claim handler when this information is received and placed on file.

**OBSERVATION NO. 10: INSUFFICIENT EVIDENCE OF INVESTIGATIONS**

We reviewed a sample of workers' compensation files from FY 1987 through FY 1992 to determine whether investigations had been conducted by the WCC, the claimant's agency, or any third party as to the legitimacy of the claims. Of the 438 claimant files reviewed, 349 (79.7%) had no evidence that an investigation was conducted. By using the percent of files in the sample without evidence of an investigation (79.7%) for the six-year period reviewed and by generalizing to the population of workers' compensation claims (10,978), we estimated that as many as 8,750 (10,978 x 79.7%) files may not have evidence of an investigation.

Conducting an initial investigation of workers' compensation claims will assist the state in determining the facts surrounding the injury and whether the state employee should receive workers' compensation benefits. Further, if a DOL hearing occurs months or even years after the injury, a witness statement and other basic background information from the initial investigation would already be in the claimant's file, thereby reducing the amount of time required to prepare for the hearing by the state. Better preparation for hearings could also reduce both the number of cases which are later appealed and costs to the state.

There are several factors which contributed to the lack of evidence of investigations. There is not a clear understanding between the WCC and state agencies as to whose responsibility it is to investigate the legitimacy of workers' compensation claims. Since the WCC is the central authority for state workers' compensation claims management, state agencies perceive the investigation function to be solely the responsibility of the WCC. The lack of investigation may also be due to the lack of effective management oversight by DAS as evidenced by poor documentation of basic information and a lack of written policies and procedures.

If state employees realize that claims are investigated, conducting investigations could serve as a possible deterrent to abuse of the workers' compensation program. Moreover, establishing an investigation policy could form the framework for follow-up investigations for those individuals who are losing time from work. Follow-up investigations and the monitoring of

**OBSERVATION NO. 10: INSUFFICIENT EVIDENCE OF INVESTIGATIONS (Continued)**

employees who are out of work may reduce the amount of lost work time and the amount of workers' compensation benefits paid by the state. Finally, a comprehensive investigation will identify reasons why the employee was injured, e.g., lifting incorrectly, and suggest ways to prevent similar injuries in the future. Identification of unsafe work behaviors and other proactive steps to prevent future employee injuries may also reduce the cost of workers' compensation.

**RECOMMENDATION:**

We recommend DAS investigate and document all workers' compensation cases involving injuries which appear (based on the initial medical report) to require time off work. All other cases which do not appear to involve lost time should be investigated by the workers' compensation agent at each agency.

The DAS should prescribe the minimum information which must be obtained in the initial investigation and should be ultimately responsible for ensuring the information is obtained and filed in the appropriate claimant's case file. If the WCC Administrator determines that in-person contact is warranted, interviews should be conducted with any witnesses, the injured employee, the employee's supervisor, and any third parties involved. Moreover, in all cases medical records should be thoroughly reviewed for relevant pre-existing medical conditions and then appropriate loss prevention guidelines should be suggested.

DAS should solicit agency input and be responsible for training/providing guidance to the agency's workers' compensation agent to ensure this function is carried out as effectively as possible. This means establishing a contact list of workers' compensation agents' or agency personnel who process workers' compensation paperwork, for all state agencies.

We also recommend cases which remain open undergo a full review at 30, 60, and 90 days after the date of disability and at every six months thereafter to ensure the continued validity of the claim. After developing an initial investigation procedure concerning workers' compensation claimants, the department should notify, in writing, all agencies affected by this new policy. As indicated in another observation we recommend the department implement an effective file management system and increase accountability of WCC staff.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur in part with LBA's statistics and comments reported under this observation. The Workers' Compensation Commission feels statistics reported under this observation may not be entirely accurate. Of the 438 claimant files reviewed, only 115 files involved lost time. This would mean that 323 files were medical only. In most instances compensability involving medical only's are decided by the Administrator the day they are

**OBSERVATION NO. 10: INSUFFICIENT EVIDENCE OF INVESTIGATIONS (Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES (Continued):**

received, on the basis of the First Report, and are not assigned for investigation as lost time cases are. These medical only cases are passed on to a Commission employee who is responsible only for processing bills related to these claims. This means that the investigation is limited to securing and reviewing medical records for dates of services billed to ensure the diagnostic code is consistent with the reported injury. Any concerns or questions as to compensability issues or relationship of treatment are referred back to the administrator for assignment to a claims investigator. This is also common industry practice. The Commission is under the belief that prior administration followed the same procedures, but may have neglected to document or communicate the initial investigation effort made before assignment to the medical only processor. Therefore, it is the Commission's position that only 115, and a small percentage of the 323 medical only's will show evidence of investigation. This would reduce the deficiency currently quoted at 79.7% to 26%.

The Commission agrees that the lost time and questioned medical only files would benefit from documentation relative to investigations being conducted. The Policy and Procedures Manual will dictate what documentation is required in each claim file, to include running notes confirming the agency version, claimant version and any witness version relative to the facts of the accident and injury as well as ongoing investigative activity. Every claim will contain the Initial Medical Report before accepting compensability. Further investigation requirements will be detailed in the Policy and Procedures Manual. Current staffing within the Commission could benefit from agency assistance with investigations, but ultimate authority to decide compensability should rest with the Commission. Suggestions related to initial investigations being conducted in-person certainly are noted and merit consideration. As it may not be cost effective to expect personal investigations on all lost time cases, guidelines should be established to determine which cases would benefit from in-person initial investigations and outlined in the Policy and Procedure Manual.

Guidelines will also address cases where initial phone contact may be appropriate, but factors changing the complexity of these cases later on may warrant personal contact.

Suggestions related to case file reviews at 30, 60, 90 days and every 6 months thereafter are noted and have merit. Again additional staffing would be needed to be able to comply with these guidelines in reviewing 400 + existing lost time cases, in addition to an approximate 400 lost time cases arising throughout the year. It should be noted that even private industry practices aren't such that all cases are seen at the same intervals. File review guidelines will be established in the Policy and Procedures Manual with current staffing in mind establishing reasonable goals to ensure high exposure cases and/or cases of a sensitive nature are reviewed at appropriate intervals.



**OBSERVATION NO. 10: INSUFFICIENT EVIDENCE OF INVESTIGATIONS (Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES (Continued):**

The Commission currently possesses an agency contact list for personnel responsible for processing workers' compensation paperwork which will continue to be maintained and included in the Policy and Procedures Manual. This list should be updated annually at minimum, to ensure continued validity.

**OBSERVATION NO. 11: INSUFFICIENT DOCUMENTATION OF MEDICAL EXAMINATIONS**

We reviewed a sample of workers' compensation files from FY 1987 through FY 1992, to determine whether the WCC had documentation to support its decisions to approve or deny claims. The First Medical Report was present in 263 (60%) of the 438 files reviewed, leaving 166 (37.9%) files without this report. In the remaining, 9 (2.1%), workers' compensation case files, the First Medical Report was not applicable. By using the percent of files in the sample without First Medical Reports (37.9%) for the six-year period reviewed and generalizing to the population of workers' compensation claims (10,978), we estimated that 4,161 (10,978 x 37.9%) files may not have this type of documentation.

According to RSA 281-A:23 (V) (c), a health-care provider must file a report with the employer of the injured worker, insurance company, or the claims adjusting company within 10 days of the first treatment of the claimant. Under RSA 281-A:23 (V) (d), whoever receives the report, as mentioned above, must in turn send a copy to DOL within 15 days. As the state's insurance company for workers' compensation, the WCC should be sending DOL a copy of the report if they receive one. Moreover, under RSA 281-A:23 (V) (d) the First Medical Report cannot be used as evidence in a DOL hearing if the state or the claimant's attorney has not received this report five days prior to the hearing. If the WCC were to request a hearing in order to modify the claimant's benefits then the WCC would be responsible for providing a copy of the report to DOL and the claimant's attorney.

According to the administrator of the WCC, a First Medical Report on the injured state employee should be kept in the file. By not having the First Medical Report in the case file the WCC's ability to minimize the state's exposure to non-job related injuries and fraud and abuse could be constrained, thereby increasing the likelihood that benefits paid to claimants may be higher than necessary. Further, without this report, there is no documentation to substantiate the information on the Employer's First Report of Injury. The credibility of the WCC as the state's insurance provider may also be threatened. Moreover, without the First Medical Report it is difficult if not impossible for the WCC, the agency, or a private investigator to determine whether the claim is initially compensable and whether the employee should be eligible (months or years after the date of

**OBSERVATION NO. 11: INSUFFICIENT DOCUMENTATION OF MEDICAL EXAMINATIONS**  
**(Continued)**

injury) for continued indemnity payments. Through periodic review of the claim, using the First Medical Report as a reference, the WCC may better determine whether an independent medical evaluation should be conducted and, if so, possible treatment(s) of the claimant, e.g., vocational rehabilitation.

**RECOMMENDATION:**

We recommend DAS require the First Medical Report be retained in the claimant's case file. If the health-care provider does not send the department a copy of the report, it is the department's responsibility to follow-up with the health-care provider and document each attempt in the case file. In addition, the department should exercise its authority by conveying to health-care providers that medical bills will not be paid by the state until the report is received.

We also recommend that DAS organize claimant case files with a checklist on the inside pocket of the file as described in another observation. Furthermore, the department should exercise effective management oversight and enforcement of policies and procedures once they are implemented.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that the Initial Medical Report should be secured and retained in every claim file. It should be noted, however, that RSA 281-A:23(V) did not take effect until January 1, 1991. It should also be noted that prior to January 1, 1991, it was not an uncommon industry practice to pay medical bills prior to receipt of a medical report or records on the majority of medical only claims as well as selected lost time cases of simple nature. The Commission is in full agreement that an Initial Medical Report be secured on every claim filed on or after January 1, 1991. The Commission also agrees that the file checklist, or a form of similar content, be utilized to ensure compliance in this area. The Policy and Procedure Manual will address this issue and mandate compliance.

**OBSERVATION NO. 12: INADEQUATE REPRESENTATION ON CONTESTED CASES**

The state may not be adequately represented in cases appealed to DOL. As noted in previous observations, cases are not uniformly investigated and claim files are often incomplete lacking basic documentation. Moreover, individuals who represent the state may not be properly prepared. Our file review of 438 claim files from FY 1987 through FY 1992 showed that 11 (2.5%) cases went to DOL for a hearing. The DOL reversed the WCC's initial denial of benefits in six of the 11 (54.5%) contested cases, upheld four (36.4%) cases, and one case (9.1%) is currently pending.

**OBSERVATION NO. 12: INADEQUATE REPRESENTATION ON CONTESTED CASES**  
**(Continued)**

We also reviewed aggregate statewide results of all DOL hearings involving questions of job-related causality of injuries between FY 1989 and FY 1992 (FY 1987 and FY 1988 data were unavailable). In comparison with all New Hampshire employers, DOL ruled in favor of state employees in about the same percentage as other employees in two of the four years (FY 1989 and FY 1991). In FY 1990 state employees won about 20 percent more cases than other New Hampshire employees, while in FY 1992 state employees won about 15 percent less cases than other employees in the state.

The Attorney General's office indicated that WCC does not fully exercise its statutory authority to investigate workers' compensation claims. Medical release forms signed by the claimant, for example, authorize the WCC to conduct a thorough investigation by obtaining all medical records from the treating physician. In many instances, cases were not fully documented with all available medical records. Another deficiency indicated by the Attorney General's office was that the claimant's case file was incomplete and not organized in a logical order. Moreover, a representative from the Compensation Appeals Board and DOL officials stated that in hearings they attended, the state was inadequately represented. Similarly, USNH officials indicated the WCC has never consulted them to gather, clarify, or confirm information on any pending case before DOL which involved one of their employees.

The state should be well-prepared to present its case at DOL, files should be organized and complete, and representatives of the state should be adequately prepared and trained. A lack of adequate management oversight, file management, and training for representatives of the state decreases the state's effectiveness in defending appealed cases. Without adequate preparation and representation at DOL hearings, the state may lose more cases than necessary and, therefore, pay workers' compensation benefits to those who may not legitimately deserve them.

**RECOMMENDATION:**

We recommend DAS evaluate its performance in all appealed cases and determine whether the state has been represented as effectively and efficiently as possible. DAS should also establish outcome measures to facilitate an on-going assessment of its performance in appealed cases. In addition, DAS should strengthen its file management practices and ensure that those selected to represent the state at DOL hearings are adequately trained.

**OBSERVATION NO. 12: INADEQUATE REPRESENTATION ON CONTESTED CASES**  
**(Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur with the LBA's recommendation that further investigation and evaluation is needed to measure the effectiveness of State representation in presenting and defending cases at the DOL hearing/appeal level. However, we do feel that our present record is favorable in comparison with private industry statistics which includes a fair amount of representation by legal counsel.

The Commission has created a hearing log which allows comparison and measurement of issues and representation at the hearing/appeal process. This tool will allow tracking of individuals' and issues' effectiveness with DOL, as well as identify those areas where further training is needed and/or alternative representation may be beneficial. This together with strengthened file management practices and comprehensive investigations will allow for the most effective representation of the State's interests possible.

**OBSERVATION NO. 13: NONCOMPLIANCE WITH STATE PURCHASING RULES**

The WCC has not complied with state purchasing rules governing the procurement of goods and services and will continue its noncompliance if existing contracting practices persist. RSA 21-I:11 (II) requires the director of the Division of Plant and Property Management within the DAS be responsible for all purchasing of goods and services. RSA 21-I:11 (III) further requires the division to use competitive bidding for all purchases except when (a) the best interests of the state are served and the purchase is less than \$2,000 or is a purchase in an approved class; (b) after a reasonable investigation, the service is available from only one source; (c) after a reasonable investigation, the service has a fixed market price from all available sources; or (d) in the opinion of the governor, an emergency exists which requires the immediate procurement of supplies. In addition, the WCC does not qualify for exemption from the division's purchasing oversight, as stated in RSA 21-I:18.

According to the WCC administrator, neither competitive bidding nor written contracts are used when acquiring outside services under the workers' compensation program. Upon our request, the WCC could not provide documentation that vendors are hired by competitive means or that written contracts exist for those vendors selected by the WCC to provide services to state employees. Moreover, no evidence has been disclosed which would exempt the WCC from state purchasing requirements. For the six-year period, expenditures to outside vendors increased 614.3 percent from \$52,757 in fiscal year 1987 to \$376,824 in fiscal year 1992. The total amount spent for the period was \$1.1 million. Claims management services were not competitively bid, nor were there contracts in existence for these vendors authorizing payment.

OBSERVATION NO. 13: NONCOMPLIANCE WITH STATE PURCHASING RULES (Continued)

From a legal, efficiency, and accountability standpoint outside services acquired under the workers' compensation program should be subject to state purchasing statutes and pertinent rules. By not following purchasing requirements, the DAS has a lack of internal control over which vendors are selected, whether fees charged by vendors are reasonable and whether services provided to state employees are appropriate to the particular injury.

RECOMMENDATION:

We recommend the DAS commissioner, the director of the Division of Plant and Property Management, and the WCC jointly develop and implement procedures for retaining outside vendors under the workers' compensation program. The procedures should comply with the spirit as well as the letter of state purchasing rules and statutes and promote the timely and efficient delivery of appropriate services to state employees. In addition, the WCC and the division of plant and property management should exercise increased oversight in this area.

AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:

We concur in part. Although RSA 21-I:11 (II) authorizes the director of the Division of Plant and Property Management to be responsible for all purchasing of goods and services, we believe the statute specifically exempts "services" obtained solely for the benefit of one agency (which we believe is the case with services procured by the Commission) from oversight by the division. Our opinion is based on the interpretation of the statute by the state Attorney General's office, a copy of which was provided to the LBA previously.

We agree in principle that competitive bidding and written contracts for services are good business practices and should be encouraged whenever possible. However, there is a certain uniqueness to the services required by the Commission from outside vendors, and although all have been termed services, some are actually benefits mandated by Statute and not services within the context of RSA 21-I:11 (II). It should be noted that although some services may be purchased by the Commission, the service itself is provided to the injured employee and intended to benefit this employee. Therefore, the effectiveness of these services are only as good as the employee's receptiveness to services, and the vendor's perceived impartiality to provide written and oral testimony documenting the employee's obstruction/noncooperation with services being provided where applicable. It is vitally important under either scenario for the vendor to be seen as totally impartial and without bias to be effective, especially where Statute requires us to make payments for these services. Due to the many variables affecting the ultimate exposure on each claim, (claimants' age, underlying medical complication, employment history and personality disorders etc.), it is equally important to provide the Commission with the flexibility to draw from a variety of vendor personnel and personalities to match with the individual cases and change such vendors if necessary. This

**OBSERVATION NO. 13: NONCOMPLIANCE WITH STATE PURCHASING RULES (Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES (Continued):**

flexibility is particularly important in cases where vendors experience personnel turnover as is often the case, greatly reducing their effectiveness, which could ultimately cost the state more money than is necessary with continued use of a now ineffective contracted vendor.

It is the Commission's position that human services purchased by us, but intended for use by the injured employee, not be put through Plant and Property bid processing procedures as factors considered on a case-to-case basis, are subject to change on a day-to-day basis which may require a change in service, personnel or vendor to properly accommodate file needs.

**OBSERVATION NO. 14: LACK OF EMPLOYEE SAFETY PROGRAM**

In a mail survey we conducted of 53 state agencies and the University System of New Hampshire, it was disclosed that only 12 (22.2%) agencies reported having a formal employee safety program. The remaining 42 (77.8%) agencies reported that they do not have such a program. Thirty-six agencies responded with one or more reasons why they do not have an employee safety program. Of the 54 responses, "lack of necessity" was cited 21 times (38.8%), "employee safety is not a priority" was cited 10 times (18.5%), "budgetary concerns" was cited seven times (13.0%), "staffing concerns" was cited seven times (13.0%), and "lack of incentive" was cited two times (3.7%). In addition, "other reasons" was cited seven times (13.0%). Twenty-nine of the 42 (69.0%) agencies without employee safety programs indicated they had no plans to establish a program within the next year.

However, according to two private insurance carriers, two public self-insurance organizations, and a municipality within New Hampshire we contacted, the existence of an employee safety program is an important factor in an agency's ability to exert some control over the incidence of work-related injuries and their related costs. Moreover, the private insurance carriers and self-insurance organizations also reported that clients who have active employee safety programs experience a lower incidence of work-related injuries, less workers' compensation costs, and reduced lost work time as compared with similar types of employers without such programs. The state agencies having employee safety programs appear to support the conclusion of the private organizations. Seven of 12 (58.3%) respondents stated they periodically review their programs for effectiveness and six of eight (75.0%) respondents stated that the number of workers' compensation claims either decreased or remained constant after the implementation of their safety programs. Ten agencies reported one or more benefits they attribute to their programs. Of the 26 responses, "increased education of employees on safe work behaviors" was cited eight times (30.8%), "improved working conditions" was cited seven times (26.9%), "reduced incidence of injuries" was cited five times (19.2%), "reduced lost time due to work-related injuries" was cited four times (15.4%), and "increased control of injury-related costs" was cited two times (7.7%).

**OBSERVATION NO. 14: LACK OF EMPLOYEE SAFETY PROGRAM (Continued)**

Between FY 1987 and FY 1992, workers' compensation costs increased 118.2 percent from \$3.3 million in FY 1987 to \$7.2 million in FY 1992. The last two fiscal years have experienced overall increases in workers' compensation expenditures of nearly 25 percent for each year. Moreover, during the six-year period we reviewed, the state (including the University System of New Hampshire) spent \$29.1 million on workers' compensation. Employee safety should be a primary concern of all state agencies. The implementation of a comprehensive, proactive safety program could be one effective method in helping the state control its expenditures for work-related injuries.

**RECOMMENDATION:**

We recommend DAS take the lead in promoting cost-effective employee safety programs in all state agencies. In addition, the department should consider soliciting input from those state agencies which already have programs in place, as well as appropriate private organizations.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur that employee safety programs with special focus on loss prevention play a very important role in reducing work related injuries and related costs. The Commission agrees that it needs to take the lead in this area to see that a comprehensive, proactive safety program is implemented and monitored for effectiveness. The Commission's limited staff can do little more than provide current, detailed compensation statistics to the agencies and encourage creation of safety programs and training, to lessen the frequency of trended accidents. The Commission would gladly provide loss prevention services to all agencies if given proper staffing who possess this expertise, and resources to carry out this function. As the LBA referenced private insurers in this observation, it should also have been noted that staff separate from claim handlers are assigned this function in the private sector, as it is a specialty area requiring full time attention. As the Commission does not presently possess this staff, it would require contracting with an outside vendor for these services, or adding staff with this expertise to the Commission.

**OBSERVATION NO. 15: STATE AGENCIES DIVIDED OVER PROGRAM EFFECTIVENESS**

In a mail survey we conducted of state agencies and the University System of New Hampshire, respondents were divided on their satisfaction with the workers' compensation program. In terms of the timeliness of claims processing, 30 of 54 (55.5%) agencies comprising 56.3 percent of the claims filed between fiscal years 1987-1992 rated the process as "good" or "excellent", 13 (24.1%) agencies comprising 43.1 percent of the claims rated it as "poor" or "fair", and 11 (20.4%) agencies comprising 0.6 percent of the claims had no opinion on the timeliness of the process. Since the WCC

**OBSERVATION NO. 15: STATE AGENCIES DIVIDED OVER PROGRAM EFFECTIVENESS**  
**(Continued)**

is the agency which administers the program for state employees, we were interested in how the WCC was perceived by state agencies. Regarding the cooperation received from the WCC, 35 (64.8%) agencies comprising 41.5 percent of the claims rated it as "good" or "excellent", 10 (18.5%) agencies comprising 58.0 percent of the claims rated it as "poor" or "fair", and nine (16.7%) agencies comprising 0.5 percent of the claims had no opinion on the cooperativeness of the WCC. We also asked respondents to report their overall assessment of the workers' compensation program; 35 (64.8%) agencies representing 52.1 percent of the claims rated the program as "good" or "excellent", 10 (18.5%) agencies comprising 30.3 percent of the claims rated it as "poor" or "fair", and nine (16.7%) agencies comprising 17.6 percent of the claims had no opinion.

These respondents also reported specific deficiencies in the program and suggested changes in the current operations. Among the critical comments were the following: (1) a lack of coordination among the WCC, the Division of Personnel, and the DAS Bureau of Accounting; (2) insufficient training for those in state government who handle workers' compensation claims; (3) the length of time to verify and approve a claim is too long; (4) paperwork is too complex; (5) a lack of soliciting and accepting input from the agencies and providing feedback; (6) the WCC can be too liberal in settling claims; and (7) that some employees file questionable claims and little is done to prevent it.

Among suggested changes to the program were the following: (1) increase personnel, particularly in the investigations area; (2) provide periodic workshops/training to agencies; (3) initiate a managed care approach and request employee input; (4) reduce and simplify paperwork; (5) allow for more agency involvement with the WCC; and (6) increase proactive/outreach activities with the agencies.

**RECOMMENDATION:**

We recommend DAS with other appropriate agencies assess the validity of the suggestions listed above, as well as solicit additional input from state agencies on how to improve the operation of the workers' compensation program. We also recommend the department establish workshops and training sessions to address agency concerns and any changes in procedures.

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES:**

We concur with most of the suggested changes recommended by the agencies as a result of the LBA survey. It is agreed that additional investigative, administrative and supervisory staff is needed. Agreed that workshops/training of agencies would be beneficial given additional staffing. Agreed that a managed care approach would be beneficial and has already been implemented in some of the more serious cases. Agreed with



**OBSERVATION NO. 15: STATE AGENCIES DIVIDED OVER PROGRAM EFFECTIVENESS**  
**(Continued)**

**AUDITEE RESPONSE - DEPARTMENT OF ADMINISTRATIVE SERVICES (Continued):**

simplifying paperwork by creating an instructional Policy and Procedures Manual. Agree with allowing more agency involvement as well as proactive/outreach activities with additional staff and Loss Prevention staffing.

The Commission's strategy to assist in following through with these concerns is as follows:

1. Creation of Policy and Procedure Manual.
2. Create user groups where regular meetings are conducted with those agencies with greatest volume and highest exposure of claims.

**STATE OF NEW HAMPSHIRE  
WORKERS' COMPENSATION PROGRAM  
FOR STATE EMPLOYEES**

**OTHER ISSUES AND CONCERNS**

In this section, we present issues reviewed during our audit which we did not develop as formal observations. While not fully developed, these issues are not without significance. The DAS, the legislature, and other interested parties may consider them worthy of action or further study; therefore, we have included suggestions where appropriate.

**ADMINISTRATIVE EXPENDITURES FOR WORKERS' COMPENSATION ARE NOT INCLUDED IN THE STATEWIDE COST ALLOCATION PLAN**

Currently, administrative expenditures for the workers' compensation program for state employees are not included in the Statewide Cost Allocation Plan. This plan allows the general fund to be reimbursed for central services provided to non-general fund agencies based on each agency's pro rata share of the particular service used. The current plan includes such central services as state archives, accounting services, interdepartmental mail, purchase and property, attorney general, treasury, and computer services. Administrative expenditures, comprised of WCC expenditures and the state's administration fund annual assessments, totalled \$262,353 in FY 1992 and \$1.3 million for the six-year period.

Because workers' compensation is a program which affects all units of state government, the administrative costs related to the program should be shared by both general fund and non-general fund agencies. Additionally, the WCC handles claims processing for the university system even though USNH budgets for and pays the cost of its employees' workers' compensation claims independently of state government. The administrative costs related to this service are not recovered by WCC from USNH. Furthermore, there is no statutory authority for the WCC to provide claims processing services for non-state agencies such as USNH. Since non-general fund agencies comprised about 38 percent of workers' compensation claims losses over the six-year period, we estimate that nearly \$500,000 of the \$1.3 million in administrative costs could have been returned to the general fund from non-general fund agencies and USNH.

DAS should include the administrative costs of the workers' compensation program for state employees in the cost allocation plan to ensure a more equitable distribution of cost among those agencies which file workers' compensation claims. DAS should also begin accounting for the state's annual assessments to the administration fund within WCC's budget rather than the current practice of reporting the assessment within the Bureau of

## **OTHER ISSUES AND CONCERNS (Continued)**

### **ADMINISTRATIVE EXPENDITURES FOR WORKERS' COMPENSATION ARE NOT INCLUDED IN THE STATEWIDE COST ALLOCATION PLAN (Continued)**

Accounting. Finally, DAS and the legislature should consider whether the state should continue processing claims filed for USNH employees and if reimbursement should be sought for the related administrative costs.

### **STATE GOVERNMENT AS A SELF-INSURED EMPLOYER**

According to RSA 281-A:2 (IX) the definition of public employer includes the state and any agency of the state. However, the state does not adhere to all of the requirements set forth in RSA 281-A:11 which governs all public self-insured employers in the state. The state spent \$6.6 million in FY 1992 and \$26.7 million over the six-year period to underwrite and administer its workers' compensation program. It is not clear why DOL, the department charged with administering the workers' compensation law, has not enforced the state's compliance with applicable provisions of the statute. In addition, we have seen no evidence that the state has either requested or been granted an exemption from these provisions. The state does not currently adhere to the following requirements:

- Funds shall be appropriated by the legislative body sufficient to implement a self-insurance program, including but not limited to legal costs, benefits, and administrative costs. (There are no appropriations made specifically to pay workers' compensation claims for state employees.)
- The amount of appropriated funds shall be based on an actuarial determination of the amount needed for self-insurance purposes. (No actuarial analysis is conducted.)
- Each year, as actuarially determined, the legislative body shall appropriate sufficient funds to create a financial reserve until all outstanding claims are disposed of. (There is no financial loss reserve which is set aside to pay workers' compensation claims.)

### **AGENCIES DO NOT BUDGET FOR WORKERS' COMPENSATION**

As discussed in Section 2 of this report, the state operates the workers' compensation program for state employees on a "pay-as-you-go" basis, without a financial loss reserve which is required for other public self-insured employers in the state. Expenditures for work-related injuries are paid from funds not otherwise appropriated. Since there is no budgeted item or balance to monitor, there is no incentive or mechanism in place for agency management to monitor and track the losses incurred by their agencies. For

## **OTHER ISSUES AND CONCERNS (Continued)**

### **AGENCIES DO NOT BUDGET FOR WORKERS' COMPENSATION (Continued)**

example, the Division of Children and Youth Services (DCYS) which had \$428,431 in workers' compensation claims in FY 1992, does not include workers' compensation costs in its operating budget. By not including these costs in the operating budget, DCYS' calculation of board and care rates for the Youth Development Center, the Adolescent Detention Center, and the Tobey School are understated. As a result, DCYS is not recovering from the counties its full 25 percent share of the costs involved in providing court-ordered services.

### **REIMBURSEMENT OF VOCATIONAL REHABILITATION EXPENDITURES FROM THIRD PARTIES**

RSA 281-A:13 (I) (b) states that an employer or its insurance carrier shall have a lien on the amount of damages or benefits recovered by the injured employee, less costs of action, for compensation, medical, hospital, or remedial care already paid, agreed, or awarded by the employer or employer's insurance carrier. However, the New Hampshire Supreme Court ruled in Chambers v. Geiger, 133 N.H. 149 (1990), that vocational rehabilitation services are not "medical, hospital, or remedial care" and, therefore, not reimbursable to the state for the purposes of the third-party lien statute.

DAS should seek statutory authority to recover vocational rehabilitation expenditures when they are the result of an injury caused by a third party.

### **TYPES OF DISABILITIES SUSTAINED ARE UNKNOWN**

As discussed in Section 3 of this report, the WCC does not maintain minimal levels of summary program data to manage, monitor, and track the workers' compensation program for state employees. We have already noted several weaknesses in the WCC's file management practices. In addition, the WCC cannot report how many of the four major types of disabilities are sustained by state employees and the USNH in any given period without reviewing individual case files.

Upon filing a claim, a claimant is classified by the WCC into one of four categories (temporary total, permanent total, temporary partial, and permanent partial) as prescribed in RSA 281-A:28, 28-a, 31, and 31-a respectively. These classifications are significant because they specify how the employee's indemnity wage will be computed and how long the employee will receive indemnity benefits. Moreover, because an employee's medical condition may change, the WCC must have the ability to know the volume, type, and age of claims, conduct interim review, and make appropriate adjustments to the employee's benefits, if warranted. Without this information readily accessible, the program is not as effective or efficient as it could be and benefits may continue longer than necessary.

## **OTHER ISSUES AND CONCERNS (Continued)**

### **STATE REIMBURSEMENT FOR WORKERS' COMPENSATION CLAIMS FILED BY FEDERALLY-FUNDED EMPLOYEES**

There is currently no comprehensive statewide policy on how workers' compensation claims filed by state employees whose salaries are either partially or fully funded through federal grants should be paid. In FY 1992, nearly one-third of all revenue to the state came from federal sources. Since these federally-funded employees are subject to the same types of work-related injuries as other state employees, it would appear important for the state to have the capability to know the number of employees funded through federal sources, the amount of workers' compensation costs paid on behalf of these employees, the amount of expenditures the state could potentially recover through the particular federal program, and extent to which the state was reimbursed for these expenditures. The state workers' compensation law (RSA 281-A) does not currently address the basic question of who is responsible for assuming the liability for these federally-funded employees performing work for the state.

The legislature might wish to review the current procedures used by agencies receiving federal funds and determine the most appropriate method to account for workers' compensation expenditures and federal reimbursement of those costs.



STATE OF NEW HAMPSHIRE  
**WORKERS' COMPENSATION COMMISSION  
FOR STATE EMPLOYEES**

**APPENDIX A**

Room 402

State House Annex

Concord, New Hampshire 03301-6312

**Commission**

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March 4, 1993

Office of Legislative Budget Asst.  
Audit Division  
Michael L. Buckley, Director of Audits  
State House Room 102  
Concord, N.H. 03301

Dear Mr. Buckley:

We would like to thank the Legislative Budget Assistant's [LBA] office for allowing us the opportunity to respond to the findings of this audit.

The Commission recognizes the importance of the LBA audit to ensure functions critical to processing workers' compensation claims of State employees are performed in an efficient and effective manner. The Commission concurs with many of the audit findings and believes the observations are indeed valid, and have responded accordingly to each one individually. However, to put the audit in proper perspective the following general comments need to be made. As of August 1992, the Commission has hired a new Administrator for the program and numerous corrective steps have been taken to address the audit findings, some of which were implemented during the course of the audit. These improvements have been communicated to the LBA, and in some cases written documentation and examples were provided in support of these changes.

The audit does not indicate the lack of resources at the Commission's disposal to adequately address some of the critical observations. For example, observation number seven relating to program data and managing costs is totally dependent on the ability to identify and trend the most frequently incurred types of costs or cost components. However, availability of data is limited as such data is fragmented between the commission, outside bureaus and agencies. The Commission's capabilities are currently limited as equipment and staffing only allows us to maintain statistical data, which is separate from financial activity associated with claim handling. This inefficiency was very evident to the auditors as a great deal of time and effort was expended by LBA staff in producing statistics now found in the audit. In an attempt to bring all data together for more meaningful trending and reporting purposes, the Administrator is currently working with Bureau of Accounting and Financial Data Management.

Audit recipients should also be aware that the problems associated with managing escalating workers' compensation costs are not unique to the Commission alone, but are common to all employers within the State of New Hampshire as well as across the nation. In fact, escalating costs have led many leading insurers considered to be experts in the workers' compensation area to abandon the field as an unprofitable enterprise. Given the limited resources at the disposal of the Commission, it is fair to conclude that the Commission's performance is favorable vis-a-vis the private industry. Most of the deficiencies identified in the audit report are directly attributed to a lack of available funds and a lack of staffing required to handle existing and newly arising claims for benefits. As a result, the Commission's actions have been more reactive than proactive in trying to properly manage and contain costs.

We are hopeful and confident that efforts made to correct deficiencies within our control supplemented by proper tools and staffing as found in the private industry, will enable us to establish and maintain action plans required to reduce and manage anticipated escalating costs.

Sincerely,



Eileen M. Bernard  
Administrator

EMB:mt

**Workers' Compensation Commission for State Employees**

CROSS REFERENCES

Workers' compensation generally, see RSA 281.

LIBRARY REFERENCES

**New Hampshire Code of Administrative Rules**

Rules of the Workers' Compensation Commission for State Employees, Wor 101.01 et seq., New Hampshire Code of Administrative Rules Annotated.

**West Key Number**

Workers' Compensation ⇐ 221.

**CJS**

Workmen's Compensation § 56.

**ALR**

Public officers as within workers' compensation statute. 5 ALR2d 415.

**21-I:23 Workers' Compensation Commission for State Employees.**

I. There is hereby established within the department of administrative services a workers' compensation commission for state employees. The commission shall adopt rules, pursuant to RSA 541-A, relative to processing claims of state employees in accordance with the provisions of RSA 281 and in accordance with rules adopted by the commissioner of labor which are applicable to insurance carriers.

II. The commission shall consist of 3 members appointed by the governor with the advice and consent of the council. The commission shall be composed as follows: one member shall be an attorney admitted to practice in New Hampshire; one member shall be a licensed physician; and one member shall be from the labor field.

III. Members of the commission shall serve for staggered terms of 3 years. Each member shall serve until his successor is appointed and qualified. Vacancies shall be filled for the unexpired term. The governor shall designate one of the members as chairman. Two members shall constitute a quorum. Members shall receive \$75 for each day devoted to the work of the commission and shall be reimbursed for their reasonable expenses in connection with their official duties. The governor and council may remove any member of the commission as provided in RSA 4:1.

IV. In order to facilitate the prompt payment of state employee workers' compensation benefits, the commission shall delegate limited authority to the commissioner of administrative services who shall designate qualified personnel in the department of administrative services to review all state employee workers' compensation claims and to make an initial determination of the merits of such claims.

V. The commission shall meet as often as necessary to review all claims by state employees after they have been determined as provided in paragraph IV and shall make a final determination of such claims. Any person aggrieved by the determination of the commission shall have the right to appeal for a hearing in the department of labor as provided in RSA 281:37 and RSA 281:40.



VI. The commission shall:

- (a) Make an annual report to the governor and council on its activities.
- (b) Advise the governor and council on problems involving workers' compensation procedures for state employees and make recommendations for changes thereof.
- (c) Compile work injury data relative to state employees which shall be included in their annual report.
- (d) Employ such clerical assistants as it shall deem necessary to carry out its functions.

VII. Departments, agencies, and institutions of the state shall comply with all provisions of RSA 281 and all applicable rules adopted by the commissioner of labor in the same manner as any other employer. The heads of such departments, agencies, and institutions shall designate one or more members of their staff to act in the capacity of workers' compensation agent.

HISTORY

Source. 1985, 399:1, eff. July 1, 1985.

ANNOTATIONS UNDER FORMER RSA 281:5

- 1. Cited 115 NH 340, 341 A2d 282; Ranger v. New Hampshire Youth Development Center (1978) 118 NH 163, 384 A2d 493.
- Cited in Opinion of the Justices (1961) 103 NH 381, 173 A2d 578; Sousa v. State (1975)

**Workers' Compensation Commission for State Employees**

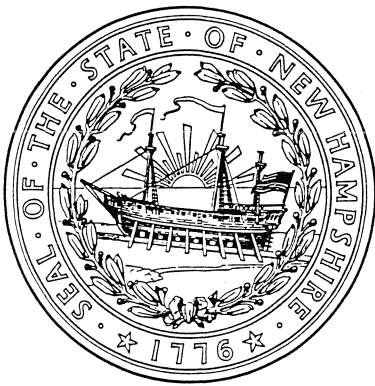
**21-I:23 Workers' Compensation Commission for State Employees.**

HISTORY

References in text. RSA 281, referred to in the second sentence of par. I and the first sentence of par. VII, and RSA 281:37 and 281:40, referred to in the second sentence of par. V, were repealed by 1988, 194:3, eff. July 1, 1989. For present provisions relating to the subject matter of former RSA 281:37 and 281:40, see RSA 281-A:43 and 281-A:48, respectively.

**A WORKERS' GUIDE TO  
WORKERS' COMPENSATION**

*valuable information  
know your rights  
easy to read*



State of New Hampshire  
Department of Labor  
State Office Park South  
95 Pleasant Street  
Concord, New Hampshire 03301  
(603) 271-3176

**WORKERS' COMPENSATION —  
PROTECTION FOR THE WORKER**

Workers' Compensation is an insurance program that pays medical and disability benefits to employees for work-related injuries and diseases. If you are injured on the job, the cost of your medical treatment will be paid by your employer's workers' compensation policy. If you become disabled, you will receive weekly disability income until you can return to work. All New Hampshire employers are required to provide this insurance coverage and must post a Notice of Compliance in an obvious spot in the place of business. This poster contains basic information about the rights and responsibilities of both the employer and employee and provides the name of the workers' compensation insurance company.

In order for everything to go smoothly when an injury occurs, everyone involved - worker, employer, insurance company and the treating physician - must fulfill their individual responsibilities without delay.

*Injured Workers' Responsibilities*

As soon as an injury occurs, or as soon as you discover that you have an occupational disease, be certain to notify your employer, supervisor or foreman. You have up to two years to report the injury or illness to your employer, but it is best to report it as soon as you become aware of it. If more than first aid treatment is needed or if any medical bill is involved, you must also fill out a Notice of Accidental Injury or Occupational Disease (form no. 8aWCA). This form can be obtained from your employer and should be filled out in duplicate. Give it to your employer for acknowledgement and then keep one copy for yourself. If your employer refuses to give you a form, refuses to sign the form acknowledging your notice of the accident, or refuses to give you a copy for your records, contact the Labor Department for further assistance.

If you need to be out of work while you recuperate from the injury or illness, be certain to keep your employer informed. If your disability lasts more than three days, you become eligible for tax free disability payments, as well as payment of re-

lated medical bills. Your employer and the insurance company cannot arrange for these payments unless they know what your medical problem is and approximately how long you will be out of work. A slip from your doctor will be helpful to your employer and the insurance company in processing your claim.

### ***Employer's Responsibilities***

Once notified, your employer has five days to report the injury or illness to the insurance company and the Labor Department. If you are still disabled at the end of three days (calendar days not work days), the employer is required to fill out a supplemental report and a wage schedule. The insurance company will need these reports in order to begin sending your workers' compensation payments in the proper amount.

### ***Insurance Company's Responsibilities***

The law gives the insurance carrier a maximum of 21 days from the date they receive the claim to do the investigation and to make a decision about your eligibility for payment of medical bills and/or disability income. You may be asked to sign a release of information form so that the insurance company can obtain the necessary medical records to make a decision about your claim. The carrier will notify you directly as to their decision.

### ***Denial of Benefits***

If the insurance company denies your claim for workers' compensation benefits and you disagree with the decision, you may contact the Department of Labor to request a hearing. By law, this request must be in writing and should include your name, the name of the company you work(ed) for and the date of your injury. You have four years from the date of last payment of compensation or date of denial to request a review of the denial.

### ***Workers' Compensation Hearings***

Hearings are held in a conference room; only the involved parties are present. A hearings officer conducts the hearing and testimony is given, under oath, by the claimant and the insurance company. Some people prefer to be represented by an attorney at a hearing, but this is strictly a matter of per-

sonal preference. It is important for you to be aware that all medical reports that you may wish to rely on at your hearing, **must** be in the hearing file at least five days prior to the hearing. Except in unusual situations, the hearings officer will issue a decision within 30 days.

### ***Workers' Compensation Payments***

New Hampshire has a three day waiting period before payment of disability benefits begins. An employee who has been disabled for four days is eligible for one day of compensation; for five days, two days of compensation; for six days, three days of compensation etc. After fourteen days of disability, compensation is paid retroactively to the first day of disability. These "days" of disability are calendar days, not work days, and do not necessarily have to occur consecutively.

The amount of disability income that an injured worker receives depends on the amount she/he earned on a weekly basis prior to the injury. There are maximum and minimum compensation rates which change each year; however, in general, the weekly compensation rate is two-thirds of the workers' gross average weekly wage based on the 26 weeks preceding the injury. If you have specific questions about your compensation rate, contact either the insurance company or the Labor Department for more detailed information.

If you are receiving partial benefits, there is a limit of 341 or 350 weeks depending on your date of injury and this does include the time you were receiving total disability benefits.

If you are employed by more than one employer at the time of your injury, you may be eligible for benefits based on both incomes. You should contact the carrier who is paying the workers' compensation benefits and advise them of your other employment. Sources of income from uninsured self-employment, unreported earnings, federal employment and employment not subject to NH workers' compensation law, i.e. employment in other states is not included for the calculation of combined earnings income.

### ***Permanent Impairment Award***

The law provides for a special cash award when the injury or illness causes a permanent loss of use

of certain parts of the body, including hands, arms, fingers, toes, feet, legs, eyes and ears. The amount of the award varies according to the type and extent of loss, and can be paid even if the injured worker has returned to work and no longer receives benefits.

#### *Cost of Living Adjustment*

If you are receiving total disability benefits for an injury, you may be entitled to an adjustment in your weekly compensation rate provided you have been totally disabled for more than three consecutive years, you do not receive Social Security benefits and your current disability benefit does not exceed two-thirds of the state's average weekly wage at the time of adjustment.

If you think you are entitled to an increase in your compensation rate, you should contact the insurance carrier paying your benefits. They will request a copy of the denial of Social Security Disability benefits, so it is important that you apply for these benefits after approximately 2 and 1/2 years of disability.

#### *Termination of Employment*

An employer may fire an injured worker who is unable to do the job, but termination of employment in such situations has no effect on the injured employee's workers' compensation benefits. The injured employee will continue to receive workers' compensation benefits until she/he is released to return to work. However, the employer is not required to make light work available or to hold the job open until the injured worker is able to return.

#### *Vocational Rehabilitation*

The New Hampshire workers' compensation law provides for vocational rehabilitation services to injured workers who are unable to return to the kind of work for which they have training or experience. Rehabilitation services vary from case to case depending on the individual's needs and may be provided by private rehabilitation companies. Reasonable expenses of the rehabilitation program will be paid by the insurance company. The success of rehabilitation depends primarily on the injured workers' involvement and effort in the Individualized Written Rehabilitation Plan (IWRP), jointly developed and carried out by the injured worker and rehabilitation provider.

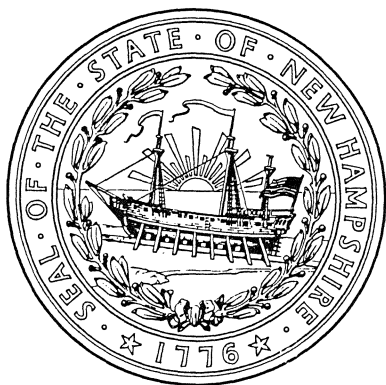
## ***NEED MORE INFORMATION?***

**Contact:**

**Department of Labor  
Workers' Compensation Division  
State Office Park South  
95 Pleasant Street  
Concord, NH 03301  
(603) 271-3176**

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**EMPLOYER'S GUIDE  
TO  
WORKERS' COMPENSATION CLAIMS**



State of New Hampshire  
Department of Labor  
State Office Park South  
95 Pleasant Street  
Concord, New Hampshire 03301  
(603) 271-3176

**INTRODUCTION**

This booklet has been prepared in an effort to assist employers in handling the reporting of employees' on the job injuries or occupational illnesses. Just as your worker has relied upon you for his/her regular pay check, the injured worker also relies upon your prompt handling of his/her workers' compensation claim so that suitable medical care is not delayed and family income is not interrupted. Therefore, once an injury has occurred, the employer should do everything possible to assure that the provisions of the New Hampshire Workers' Compensation Law are carried out. Injuries treated properly and promptly result in the continuation of a good employer-employee relationship and the timely return to work of an experienced employee.

Familiarity with the guidelines presented in this booklet will assist you in meeting your responsibilities as an employer under RSA 281-A, the New Hampshire's Workers' Compensation Law. If you have questions about your rights or responsibilities under this law, please contact our staff at the Department of Labor for assistance.

The following information is based upon the provisions of the New Hampshire Workers' Compensation Law, RSA 281-A, and the New Hampshire Code of Administrative Rules, Chapter Lab 300 and 500.

### **What is Workers' Compensation?**

Workers' Compensation is an insurance program that pays medical and disability benefits for work-related injuries and diseases. If injured on the job, an employee's medical treatment costs will be paid by the policy; if disabled following an on the job injury, the employee will also receive weekly income through the policy until able to return to work. All employers must obtain coverage by purchasing an insurance policy through the insurance agent or company of their choice, unless they become licensed to "self-insure" by the Commissioner of Labor. Workers' compensation insurance programs protect both employees and employers. Each covered employee has a right to benefits if injured on the job. In return, the employee forfeits the right to sue the employer for the job related injury.

### **Purchasing Workers' Compensation Coverage**

The primary responsibility for obtaining workers' compensation insurance coverage rests upon employers who must apply for and obtain coverage prior to the hiring of any employee. Insurance agencies and carriers, however, share in this coverage responsibility, beginning with their receipt of an application for coverage. If an agency or carrier refuses to provide coverage on a voluntary basis, they must advise the employer about the availability of coverage under the Assigned Risk Plan of the National Council on Compensation Insurance and must also provide the necessary application form.

After coverage is in effect, the employer will receive from the insurance carrier a NOTICE OF COMPLIANCE, Form No. WCP-1, which needs to be posted in a conspicuous spot in the place of business. This poster contains basic informa-

tion regarding the rights and responsibilities of both employer and employees, as well as the name of the insurance carrier underwriting the workers' compensation coverage.

The only business exempt from the requirement to purchase workers' compensation coverage are sole proprietorships (self-employed persons) and corporations which have **only** three corporate officers and **no** employees other than these three officers.

There is often confusion about the respective responsibilities of employers and subcontractors in providing workers' compensation coverage for workers. If you utilize the services of subcontractors in your business, be certain that any subcontractors you use have arranged to provide required workers' compensation coverage for their employees. Otherwise, you may be held liable for the compensation of any injuries that occur to the subcontractor's employees.

### **What is the Insurance Company's Responsibility to the Employer?**

It is the insurance company's responsibility to provide an employer who has purchased insurance coverage with a poster (Notice of Compliance) and a supply of the forms that will be needed to report and process a claim. These forms include the following:

- 1) **Notice of Accidental Injury or Occupational Disease** (Form No. 8aWCA). This form is used by an employee to provide the employer with written notice that s/he has sustained an on the job injury or believes that s/he has developed an occupational illness. This form does not necessarily need to be completed before the Employer's First Report of Injury or Occupational Disease (see below) is filed; an employee's verbal notification to his employer that an injury has occurred is sufficient initially.
- 2) **Employer's First Report of Injury or Occupational Disease** (Form No. 8-WC). This form is to be completed by the employer within five **calendar** days (not working days) of

learning of an employee's work-related injury or illness and is used to notify the Department of Labor and the insurance company that an employee injury has been reported. The employee's report may be either verbal or written. If the employer considers the claim to be questionable, the employer must still file the report promptly, but may wish to outline his concerns about the legitimacy of the claim in a note attached to the insurance company's copy of this report. (See below for a further discussion of this matter.)

**3) Employer's Supplemental Report of Injury** (Form No. 13 WCA). The employer uses this form to report to the Labor Department and the insurance carrier that an employee's occupational illness or injury has resulted in lost time from work (disability) of four or more days. It is also used when an employee who was disabled by a work-related injury or illness returns to work. It should be used to clarify lost time if the First Report of Injury is not clear.

**4) Wage Schedule** (Form No. 76 WCA). In the event that an employee becomes disabled from a work-related injury or illness, this form will need to be completed and both copies mailed to the insurance carrier so that the injured employee's workers' compensation rate can be properly calculated. Wage information from the 26 weeks prior to the injury, or the rate of hire for employees who have not worked a full 26 weeks, should be used to complete this form.

An employee who is employed by two or more employers in the State of New Hampshire at the time of injury may be subject to the combined earnings provision of the statute. If one of your employees was hurt while working at their other employers, s/he may request that you complete a wage schedule for the calculation of their wages by the carrier covering the other employer and paying workers' compensation benefits.

**5) Supplemental Wage Schedule** (Form No. 76 WCA 1). If requested by the insurance carrier, this form should be completed by the employer and signed by the employee. This form is necessary for the calculation of "after tax earnings".

Please be certain to keep a supply of these forms on hand at all times so that they are readily available when you need them. Forms are available through your insurance carrier; your supply should also be renewed any time that you change insurance carriers. (A complete explanation of when and how to file each form follows in the next section, "What To Do When An Employee Is Injured".)

Additionally, the insurer is also responsible for keeping its insured employers informed of the address of the nearest insurance claims office. Upon receipt of employers' reports, the insurer must also review each claim promptly and critically to determine, as soon as possible after the onset of the disability, if the reported claim is compensable.

### **What To Do When An Employee Is Injured**

It is important that, as an employer, you inform your employees about their rights and responsibilities under the New Hampshire workers' compensation law. We suggest that you clearly identify for your employees the individual(s) within your company to whom you want any on-the-job injuries to be reported; this will help avoid confusion when an injury occurs.

#### **\* First Aid Log**

Injuries requiring **only** common first aid should be recorded in a first aid log maintained by the employer. These "first aid only" injuries must be reported to the Labor Department. If the "first aid only" injury is denied, it must be reported to both the Labor Department and the insurance carrier. "First Aid" is defined as any one time treatment that generates a bill less than \$250.00 and results in no lost time.

#### **\* Employer's First Report of Injury or Occupational Disease** (Form No. 8WC).

If an injury requires treatment beyond common first aid (that is, if any medical cost of over \$250.00 or disability is involved), the employer needs to mail the Employer's First



Report of Injury (Form No. 8 WC) to the Department of Labor, with a copy to the insurance company. This report must be mailed within five **calendar** days of the employee's notice to the employer that an incident has occurred.

Occasionally, an injury that requires only common first aid treatment at the time of injury will later require more extensive medical attention. In these cases, the injury becomes reportable at the time that the employer learns of the additional medical treatment. In such cases, complete the Employer's First Report of Injury, being certain to note the date on which you, as the employer, became aware that additional medical attention was sought and notify the Labor Department that this is no longer a first aid injury. Then, mail the report to the Labor Department and to the insurance company within the five calendar day limit.

**\* Notice of Accidental Injury or Illness (Form No. 8aWCA)**

The employer must, additionally, have the employee fill out Form No. 8aWCA, the Notice of Accidental Injury or Illness, at the earliest opportunity. It is, of course, not always practical to have the employee fill out this form immediately; but at the earliest reasonable time, the employee should be provided with a form to complete for his and the employer's records. **Absence of this written notice of an injury or illness does not excuse the employer from reporting the injury within the prescribed time frame.**

The employer copies of these two forms, No. 8WC and No. 8aWCA, are to be kept on file by the employer for five years from the date of injury.

**\* Employer's Supplemental Report of Injury (Form No. 13 WCA)**

If an employee's work-related injury or illness results in disability of four or more calendar days, the employer needs to notify the Labor Department and insurance carrier of this disability by filing Form No. 13 WCA, the Employer's Supple-

mental Report of Injury. When mailing the canary/yellow copy of this supplemental report to the insurance carrier, the employer needs to attach Form No. 76 WCA, the Wage Schedule (see below).

**\* Wage Schedule (Form No. 76 WCA)**

Both copies of the Wage Schedule must be sent to the insurance carrier who will, in turn, send one copy on to the Department of Labor along with a memorandum noting what amount of compensation has been paid and the date on which it was paid.

The information contained in a completed wage schedule is used to calculate the average weekly wage of the employee; this figure will, in turn, be used to compute the rate of the injured workers' compensation benefits. The form asks the employer to provide wage information based upon gross wages, including bonuses for the periods to which such payments apply. When applicable, also include the reasonable value of board, rent, housing, lodging, fuel or other similar advantages that you furnish to your employee as part of the contract of hire.

The intent of this is to generate a representative listing of the employee's wages based upon earnings during the 26 consecutive weeks preceding the injury. Sometimes, this method of calculating wages does not yield an accurate picture of an employee's earnings. For example, if your employee usually worked eight hours of overtime each week, but six weeks prior to his injury all overtime was cut; in such a case, the employee's wage schedule would show lower weekly wages than he usually earned. Another example might be a construction worker injured one month after returning to work from winter lay off; this worker's wage schedule would not provide information indicative of his usual earnings since he had not worked for the full 26 week period. In these unusual cases, you may go back 52 consecutive weeks prior to the date of injury and use wages earned during that entire period

of time, as long as the difference in the resulting average weekly wage figure is to the advantage of the employee.

**Questionable Claims**

The employer's filing of these reports shall in no way prejudice the employer's rights to contest the compensability of the claim at a later date. Please remember, the insurance carrier has a responsibility to the employer to investigate each claim thoroughly and promptly to determine whether or not the claim is legitimately compensable. If you, as the employer, believe that a claim is questionable, do not delay in filing the required reports; simply fill out the Employer's First Report of Injury as completely as you can and mail it to the Department and the insurance carrier within the required time limit. Attach a note to your carrier's copy of the report, alerting them to your concerns about the claim. The carrier will carry on from there.

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**The State of New Hampshire**

DEPARTMENT OF LABOR

PO BOX 2077

CONCORD, N.H. 03302-2077

**APPENDIX E**

**EMPLOYER'S FIRST REPORT OF INJURY OR OCCUPATIONAL DISEASE**

IMPORTANT Every employer shall file this report as soon as possible after knowledge of an occupational injury or disease to one of his employees, but no later than five days thereafter. Notice of disability of four or more days shall be filed no later than seven days after date of injury on Supplemental Report, form No. 13 WCA. Failure to comply carries a civil penalty of up to \$2,500.00. (RSA 281-A:53)

Name of Injured _____ S.S No. _____ <small>(First Name) Middle Initial (Last Name)</small> Address No. and St. _____ City or Town _____ State ____ Zip _____ Check (X) Male _____ Female _____ Employee's Tel. No. _____ Age _____ Is there on file a Child Labor Employment Certificate? _____ Occupation when injured _____ Was this his or her regular occupation? _____ (If not, state in what department or branch of work regularly employed) _____ Was injured hired in New Hampshire? _____ How long employed by you? _____ Piece or time worker? _____ Wages per hour? _____ No. hours worked per day? _____ Wages per day? _____ No. days work per week? _____ Average weekly earnings \$ _____ If board, lodging, fuel or other advantages were furnished in addition to wages, give estimated value per day, week, or month _____	Labor Dept. Use Only
Date of Injury _____ 19 ____ Day of week _____ Hour of day ____ A.M. ____ P.M. Date disability began _____ 19 ____ A.M. ____ P.M. Was injured paid in full for this day? _____ When did you or foreman first know of injury? _____ Name of Foreman _____ Has injured Filed Form 8a WCA? _____	Establishment #
Name of Employer _____ Employer's Identification No. _____ <small>S.I.C. Code _____ (9-digit number assigned by proper Federal Agency)</small> Office address: No. and St. _____ City/State _____ Zip _____ Principal business function in N.H. _____ Insurance Company _____ <small>(Name and Address)</small> Location of plant or place where accident occurred _____ State if employer's premises _____ Machine, tool, or thing causing injury _____ Kind of power (hand, foot, electrical, steam, etc.) _____ Part of machine on which accident occurred? _____ Was safety appliance or regulation provided? _____ Was it in use at the time? _____ Was accident caused by injured's failure to use or observe safety appliance or regulation? _____	Employee Name
Describe fully how accident occurred and state what employee was doing when injured _____ _____ _____ Names and addresses of witnesses _____ _____ _____ Nature and location of injury _____ Probable length of disability? _____ Has injured returned to work? _____ If so, what date and hour? _____ At what wage? \$ _____ At what occupation? _____ Name and address of physician _____ Name and address of hospital _____	Date of Accident
Has injured died? _____ If so, give date of death _____ (In event of fatal injury supplemental report must be filed)	Type of Business
Date of this report _____ Employer's Tel. No. _____ Employer's signature _____ Official Title _____ <small>(Sign with pen and ink)</small>	Job Code
When report sent by Insurance Agency state name _____ Form 8-WC (10-91)	Injury Code
White-Labor Dept.	Type Claim
Canary-Insurance Claims Office	Sex
Pink-Employer's Copy	Age
_____	Ins. Co. No.
_____	Follow-up Date
_____	Reason
_____	Fiscal Year

**THE STATE OF NEW HAMPSHIRE**  
**DEPARTMENT OF LABOR**  
**Employer's Supplemental Report of Injury**

This report, indicating disability of an employee of four or more days, shall be filed as soon as possible after date of knowledge of an occupational injury or disease, but no later than ten days thereafter. Consistent failure to make this report available to the labor commissioner and the nearest claims office of your insurance carrier carries an automatic civil penalty of up to \$100.00. (RSA 281-A:53) This report shall also be submitted upon employees return to work.

1. Name of Employer \_\_\_\_\_ Employer's Identification No. \_\_\_\_\_  
(9 digit number assigned by proper Federal Agency)
  2. Address \_\_\_\_\_  
(No. and St.) (City and State)
  3. Insured by \_\_\_\_\_
  4. Name of Employee \_\_\_\_\_  
(First Name) (Middle Initial) (Last Name) (S.S. Number)
  5. Address \_\_\_\_\_  
(No. and St.) (City and State)
  6. Date of injury \_\_\_\_\_ 19 \_\_\_\_\_
  7. Date Disability began \_\_\_\_\_ 19 \_\_\_\_\_ A.M. \_\_\_\_\_ P.M. \_\_\_\_\_
  8. \_\_\_\_\_  
(Specific dates of disability)  
\_\_\_\_\_  
(Specific dates of disability)
  9. Has injured returned to work? \_\_\_\_\_ if so, date and hour \_\_\_\_\_ A.M. \_\_\_\_\_ P.M. \_\_\_\_\_
  10. Is injured person earning same wages as before injury? \_\_\_\_\_ if not, explain \_\_\_\_\_  
\_\_\_\_\_
- Date of Report \_\_\_\_\_

Signed by \_\_\_\_\_

Official Title \_\_\_\_\_

Tel. No. \_\_\_\_\_

THE STATE OF NEW HAMPSHIRE  
**DEPARTMENT OF LABOR**

CONCORD, N.H. 03301

**WORKERS' COMPENSATION**  
**INITIAL MEDICAL REPORT**

Important: This report must be filed with the Workers' Compensation insurance carrier within 10 days of the first treatment (first aid excluded). Failure to comply and complete this form shall result in the provider not being reimbursed for services rendered and may result in a civil penalty of up to \$2,500.

EMPLOYEE

Name \_\_\_\_\_ D/O/B \_\_\_\_\_ Soc. Sec. No. \_\_\_\_\_  
Street \_\_\_\_\_ Date of Injury \_\_\_\_\_ Date Last Worked \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Employee's Phone \_\_\_\_\_ Occupation \_\_\_\_\_

EMPLOYER

Name \_\_\_\_\_ Telephone \_\_\_\_\_  
Address \_\_\_\_\_  
Ins Carrier: \_\_\_\_\_

PHYSICIAN

Name \_\_\_\_\_ Telephone \_\_\_\_\_  
Address \_\_\_\_\_ Federal ID # \_\_\_\_\_

INJURY

Worker's Statement of Cause/Nature of Injury: \_\_\_\_\_  
\_\_\_\_\_

Worker's Complaints: \_\_\_\_\_  
\_\_\_\_\_

Current Diagnosis: \_\_\_\_\_  
\_\_\_\_\_

Released for Work  Yes  No Date Released \_\_\_\_\_ Restrictions  Yes  No

Explain Restrictions (if any) \_\_\_\_\_  
\_\_\_\_\_

Est. Length of Further Treatment \_\_\_\_\_ Months \_\_\_\_\_ Weeks

Will injury cause permanent impairment?  Yes  No  Undetermined

**ALL MEDICAL NOTES MUST BE ATTACHED TO REPORT**

I certify that the narrative descriptions of the principal and secondary diagnosis and the major procedures performed are accurate and complete to the best of my knowledge.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

**MEDICAL AUTHORIZATION:** The act of the worker in applying for workers' compensation benefits constitutes authorization to any physician, hospital, chiropractor, or other medical vendor to supply all relevant medical information regarding the worker's occupational injury or illness to the insurer, the worker's employer, the worker's representative, and the department. Medical information relevant to a claim includes a past history of complaints of, or treatment of, a condition similar to that presented in the claim. [281-A:23 V(a)]

THE STATE OF NEW HAMPSHIRE  
**DEPARTMENT OF LABOR**

CONCORD, N.H. 03301

**WORKERS' COMPENSATION  
SUPPLEMENTAL MEDICAL REPORT**

Important: This report must be filed with the Workers' Compensation insurance carrier and the N.H. Department of Labor. Failure to comply and complete this form may result in the provider not being reimbursed for services rendered and may result in a civil penalty of up to \$2,500.

EMPLOYEE

Name

D/O/B

Soc. Sec. No.

EMPLOYER

Name

Telephone

PHYSICIAN

Name

Telephone

Address

Federal ID #

INJURY

Employee's Current Complaint: \_\_\_\_\_

Current Diagnosis/Prognosis: \_\_\_\_\_

Released for Work  Yes  No

Date Released \_\_\_\_\_

Restrictions  Yes  No

Explain Restrictions (if any) \_\_\_\_\_

Est. Length of Further Treatment \_\_\_\_\_ Months \_\_\_\_\_ Weeks

Has employee reached maximum medical improvement?  Yes  No

Date maximum medical improvement reached: \_\_\_\_\_

Has injury caused permanent impairment?  Yes  No  Undetermined

If yes, specify percent in accordance with the GUIDE TO THE EVALUATION OF PERMANENT IMPAIRMENT - American Medical Association: \_\_\_\_\_

**CURRENT MEDICAL NOTES MUST BE ATTACHED TO REPORT**

I certify that the narrative descriptions of the principal and secondary diagnosis and the major procedures performed are accurate and complete to the best of my knowledge.

Date \_\_\_\_\_

Signature \_\_\_\_\_

**MEDICAL AUTHORIZATION:** The act of the worker in applying for workers' compensation benefits constitutes authorization to any physician, hospital, chiropractor, or other medical vendor to supply all relevant medical information regarding the worker's occupational injury or illness to the insurer, the worker's employer, the worker's representative, and the department. Medical information relevant to a claim includes a past history of complaints of, or treatment of, a condition similar to that presented in the claim. [281-A:23 V(a)]

# Memo of Denial of Workers' Compensation Benefits

Claimant's Name \_\_\_\_\_ Social Security No. \_\_\_\_\_

Employer \_\_\_\_\_ Identification No. \_\_\_\_\_

Date of Accident \_\_\_\_\_ Date First Report Received \_\_\_\_\_

**YOUR CLAIM TO WORKERS' COMPENSATION BENEFITS IS HEREBY DENIED BY EMPLOYER OR CARRIER FOR REASON OR REASONS INDICATED BELOW. IF YOU SO ELECT, YOU MAY PETITION THE COMMISSIONER OF LABOR, CONCORD NEW HAMPSHIRE, 03301, IN WRITING FOR A HEARING.**

## REASONS

- 1.  No Employer-Employee Relationship (pars. VII, VIII, IX, RSA 281-A:2)
- 2.  No Causal Relationship to Employment (pars. XI, XIII, RSA 281-A:2)
- 3.  Employee's Fault (RSA 281-A:14)
- 4.  Improper Notice of Injury by Employee (RSA 281-A:19, 20, 21)

Explanation \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Authorized Representative \_\_\_\_\_

Insurance Carrier and Number \_\_\_\_\_

Carrier's Address \_\_\_\_\_

Date \_\_\_\_\_



**THE STATE OF NEW HAMPSHIRE  
DEPARTMENT OF LABOR  
CONCORD, N. H. 03301**

**MEMO OF PAYMENT OF  
DISABILITY COMPENSATION**

You are required to pay total disability compensation and to file, with the department, copy to employee, memorandum of payment in accordance with RSA 281-A:40, 41 and 42 as soon as possible after date of knowledge of disability of four or more days, but no later than seven days thereafter. Filing shall also be made upon making provisional payment, upon adjusting such payment, upon making last payment, and upon making payment resulting from departmental hearing. Failure to pay and to file memorandum promptly, in the absence of a legitimate denial of benefit, shall render a carrier liable to a civil penalty of twenty-five dollars.

	Employee	
(Name)		(Soc. Sec. No.)
	Employer	
(Name)		(Identification No.)
	Adjusting Office	
(Name)		(Number)

Date	Injury	Disability/Recurrence	First or Sup. Rep. R'cd	First Payment	Last Payment

<b>1</b>	Compensation at the rate of \$ _____ per week Beginning _____ Avg. Wkly. Wage of \$ _____ Check box if compensation payment results from departmental hearing decision <input type="checkbox"/> Check box if memo indicating provisional payment already filed <input type="checkbox"/> Check box if memo indicating adjustment in total disability - RSA 281-A:29 <input type="checkbox"/> <b>SEE ATTACHED WAGE SCHEDULE, EXCEPT IF DISABILITY OF LESS THAN SEVEN DAYS</b>
----------	--

<b>2</b>	Missing Wage Schedule When Expected _____ Provisional Payment of \$ _____ Subject to Later Adjustment
----------	---

<b>3</b>	Total Compensation Paid \$ _____ Ending Date _____ Date of Return to Work _____ Earning after R.T.W. _____ Name of Employer (New or same) _____
----------	---

\_\_\_\_\_ (Date)
\_\_\_\_\_ (Signature)

Dept. Approval

THE STATE OF NEW HAMPSHIRE  
**DEPARTMENT OF LABOR**

CONCORD, N.H. 03301

**WAGE SCHEDULE**

Employee \_\_\_\_\_  
(NAME)

Date of hire \_\_\_\_\_ Wages per hour \_\_\_\_\_ Avg. wkly. earnings \_\_\_\_\_

Employer \_\_\_\_\_  
(NAME)

Address \_\_\_\_\_  
(No.) (Street) (City-State)

EMPLOYER MUST FORWARD TO INSURANCE CARRIER BOTH COPIES OF THIS SCHEDULE AND CARRIER'S COPY OF SUPPLEMENTAL REPORT FORM NO. 13 WCA NO LATER THAN EMPLOYEE'S FIFTEENTH DAY OF DISABILITY RESULTING FROM INDUSTRIAL ACCIDENT.

THIS WAGE SCHEDULE IS FOR 26 WEEKS PRIOR TO DATE OF INJURY AND MUST BE FILED WITH DEPARTMENT OF LABOR BY INSURANCE CARRIER TOGETHER WITH 9 WCA

Week Ending	1	2	3	<p style="text-align: center;">WAGES:</p> <p>In addition to money payments, means reasonable value of board, rent, housing, lodging, fuel or similar advantage received from the employer, and gratuities received in the course of employment from others, but not including any sum paid by the employer to cover any special expenses entailed on the employee by the nature of his employment.</p> <p>Please provide a brief explanation for weeks with no wages.</p> <p style="text-align: right;">RSA 281-A:2, Par. XV.</p>
	GROSS EARNINGS	OTHER ADVANTAGES (See Wages Definition)	TOTAL Columns 1 & 2	
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				
21.				
22.				
23.				
24.				
25.				
26.				

Carrier Name \_\_\_\_\_ (Employer's Signature)

Address \_\_\_\_\_ (Title)

Dept. Approval

Date \_\_\_\_\_

THE STATE OF NEW HAMPSHIRE  
**DEPARTMENT OF LABOR**

CONCORD, N.H. 03301

**SUPPLEMENTAL WAGE SCHEDULE**

TO BE COMPLETED ONLY WHEN INDEMNITY RATE IS BASED ON AFTER-TAX EARNINGS AS DEFINED BY RSA 281-A:2, I-a.

TOTAL NUMBER OF DEPENDENTS (INCLUDES EMPLOYEE) \_\_\_\_\_

FILING STATUS (MARRIED OR SINGLE) \_\_\_\_\_

List names and ages of all dependents

1 _____	6 _____
2 _____	7 _____
3 _____	8 _____
4 _____	9 _____
5 _____	10 _____

Average Weekly Wage \_\_\_\_\_ Line 1

Amount of Federal Withholding Tax to be Deducted  
using Figure from Line 1 \_\_\_\_\_ Line 2

FICA rate factor \_\_\_\_\_ Line 3

Multiply amount from Line 1 by FICA rate factor \_\_\_\_\_ Line 4

Total Deductions (Add Lines 2 and 4) \_\_\_\_\_ Line 5

**AFTER-TAX EARNINGS INDEMNITY RATE**  
(Subtract amount in Line 5 from amount in Line 1) \_\_\_\_\_ Line 6

\_\_\_\_\_  
Signature - Employee

\_\_\_\_\_  
Signature - Adjuster

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**STATE OF NEW HAMPSHIRE  
DEPARTMENT OF LABOR  
19 Pillsbury Street  
Concord, N.H. 03301-3593**

**CHECK ONE BOX BELOW:**

- APPLICATION FOR REIMBURSEMENT OF PAID ADJUSTED TOTAL DISABILITY BENEFITS FROM SPECIAL FUND FOR ACTIVE CASES. RSA 281-A:29, 281-A:30**
- APPLICATION FOR REIMBURSEMENT OF PAID COMBINED EARNINGS DIFFERENTIAL FROM SPECIAL FUND FOR SECOND INJURIES. RSA 281-A:15 III, 281-A:55**

Employee Name	Social Security Number
Street	Date of Injury
City, State and Zip Code	Avg. Weekly Wage at Time of Injury (primary employment)
Employer Name	Avg. Weekly Wage at Time of Injury (concurrent employment, if applicable)
Street	Original Compensation Rate (Primary Employment)
City, State and Zip Code	Adjusted or Combined Earnings Compensation Rate

Effective Date of RSA 281-A:29 Adjustment (if applicable): July 1, \_\_\_\_\_ .

Dates Covered by this Reimbursement Request are: \_\_\_\_\_ .

Total Amount to be Reimbursed is \$ \_\_\_\_\_ .

Application is made for reimbursement as set forth herein. Payments made through December 31 of the previous calendar year should be included. Do not include payments made in the current calendar year. All requests for reimbursement shall be forwarded to the Department of Labor **no later than September 01**.

Date	Signature
Adjusting Office Number	Insurance Carrier
	Street
	City, State and Zip Code

**FOR LABOR DEPARTMENT USE:**

Approved by: \_\_\_\_\_

Date: \_\_\_\_\_

Paid: \_\_\_\_\_

Check No. \_\_\_\_\_ Date \_\_\_\_\_

Comments:

THE STATE OF NEW HAMPSHIRE  
**DEPARTMENT OF LABOR**  
 CONCORD, N. H. 03301

**MEMO OF PERMANENT PARTIAL DISABILITY AWARD**

Name	Employee	Soc. Sec. No. 
Trade Name	Employer	Establishment No.
Name	Carrier	Adjusting Office No.
No. Street City State	Address	Tel. No.

Date of Injury		Date of Return to Work	
----------------	--	------------------------	--

Place of Work	Name
	Address

Rate of Pay	
-------------	--

Nature Permanent Partial Disability	
--	--

<b>AWARD</b>		
Subject To Review and Approval By Commissioner of Labor	Weekly Rate	Attach Medical Report
	No. of Weeks	
	Beginning Date	
	Avg. Weekly Wage	

Date	Signature
	Title

Dept. Approval

RELEASE AND SETTLEMENT OF CLAIM

For the Sole Consideration of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_ ), lawful money of the United States to me in hand paid by \_\_\_\_\_ the receipt of which is hereby acknowledged, I \_\_\_\_\_ residing at \_\_\_\_\_ do hereby release, acquit, and forever discharge the said \_\_\_\_\_

from any and all actions, causes of action, claims and demands, damages, costs, loss of services, expenses, and compensation on account of or in any way growing out of any and all known and unknown personal injuries and property damage resulting or to result from accident that occurred on or about the \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_, by reason of \_\_\_\_\_

and do hereby for myself, my heirs, executor, and administrator, successors and assigns covenant with the said \_\_\_\_\_

to indemnify and save harmless from all claims and demands, costs, loss of services, expenses, and compensation on account of or in any way growing out of said accident or its result both to person and property, provided however that there shall be deducted from the above sum, pursuant to RSA 281:14, an amount of money equivalent to compensation and the costs of medical hospital or other remedial care already paid or agreed or awarded to be paid by the employer or employer's insurance carrier \_\_\_\_\_

under RSA 281, as amended, said amount being that in Line 4 of Page 2 of this document,

\_\_\_\_\_ Dollars (\$ \_\_\_\_\_ ), less the employer's, or the employer's insurance carrier's, pro rata share of expenses and costs of action, if any, as determined under RSA 281:14, IV, and provided further that such net amount, being that in Line 6 of said Page 2, \_\_\_\_\_ Dollars (\$ \_\_\_\_\_ ), be paid to the employer or his carrier in satisfaction of one or the other's lien. It is expressly understood and agreed that the acceptance of the said amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_ ), is in full accord and satisfaction of my claim in this matter.

In Witness Whereof, I have set my hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_

\_\_\_\_\_  
(Witness) Name \_\_\_\_\_ (L.S.)

\_\_\_\_\_  
(Address) Address \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_, before me personally appeared \_\_\_\_\_

to me known to be the person described herein, and who executed the foregoing instrument, and he/she acknowledged that he/she voluntarily executed the same.

\_\_\_\_\_  
Notary Public

Approval of the labor commissioner granted on this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_, pursuant to par. III, RSA 281:14.

\_\_\_\_\_  
Commissioner of Labor

**RELEASE AND SETTLEMENT OF CLAIM COMPUTATION**

- |  |          |
|--|----------|
| 1. Full Amount of Settlement (See Amount on Page 1)  | \$ ..... |
| 2. Expenses and Costs of Action (If any)   | \$ ..... |
| 3. Expenses and Costs of Action as Percentage of Amount<br>of Settlement (Divide Amount in Line 2 By Amount in Line 1) | ..... %  |

EMPLOYER/CARRIER	EMPLOYEE/CLAIMANT
<p>4. Lien \$ .....</p> <p>5. Less: Pro Rata Share of Expenses and Costs of Action (Percent in Line 3) of Amt. in Line 4 \$ _____</p> <p>6. Net Amount Owed \$ <u>                    </u></p>	<p>7. Employee/Claimant's Share (subtract line 4 from line 1) \$ .....</p> <p>8. Less: Pro Rata Share of Expenses and Costs of Action (Percent in Line 3) of Amt. in Line 7 \$ _____</p> <p>9. Net Amount Due \$ <u>                    </u></p>

**PROOF**

Line 5 - Pro Rata Share-Employer/Carrier	\$ .....
Line 6 - Net Amount Owed-Employer/Carrier	.....
Line 8 - Pro Rata Share-Employee/Claimant	.....
Line 9 - Net Amount Due-Employee/Claimant	_____
Full Amount of Settlement	\$ <u>                    </u>

WC-3PR-1 (7-81)

# STATE OF NEW HAMPSHIRE

APPENDIX F

Inter-Department Communication

DATE August 21, 1992

FROM Richard D. Pugh  
Senior Performance Auditor

AT (OFFICE)  
LBA Audit Division  
State House, Room 102

SUBJECT Questionnaire for performance audit  
of workers' compensation program

TO for state employees

The Audit Division of the Office of Legislative Budget Assistant is conducting a performance audit of the New Hampshire workers' compensation program for state employees. The LBA is conducting a survey of state agencies to gather comparative data on workers' compensation issues, employee safety programs, and the effectiveness of the state's administration of the workers' compensation program.

We would appreciate you or someone you designate in your agency who is familiar with the workers' compensation program completing the enclosed questionnaire and returning it to us. Please return the questionnaire by September 4, 1992 in the enclosed pre-addressed envelope. If you have any questions, please contact me at 271-2785.

Thank you very much for your cooperation.

Enclosures:  
Questionnaire  
Return envelope



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OFFICE OF LEGISLATIVE BUDGET ASSISTANT  
AUDIT DIVISION  
STATE AGENCY WORKERS' COMPENSATION QUESTIONNAIRE  
AUGUST 1992

1. How many employees at your agency comprise each category:

\_\_\_\_\_ full-time positions  
\_\_\_\_\_ part-time positions  
\_\_\_\_\_ temporary full-time positions  
\_\_\_\_\_ temporary part-time positions  
\_\_\_\_\_ contracted positions  
\_\_\_\_\_ other (please specify below)

---

2. What percentage of state employees comprise the following positions at your agency?

\_\_\_\_\_ % clerical/administrative  
\_\_\_\_\_ % maintenance/janitorial  
\_\_\_\_\_ % management/supervisory  
\_\_\_\_\_ % laborer/construction  
\_\_\_\_\_ % public safety/law enforcement/corrections  
\_\_\_\_\_ % medical/social services  
\_\_\_\_\_ % other (please specify below)

---

3. Does your agency maintain information on workers' compensation activity?

\_\_\_\_\_ Yes If so, please specify the type(s) of data retained below.  
\_\_\_\_\_ No

---

---

4. In what form does your agency retain workers' compensation information? (check all that apply)

\_\_\_\_\_ paper records  
\_\_\_\_\_ computer database  
\_\_\_\_\_ other (please specify below)

---

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(over)

5. How many workers' compensation claims were filed by your agency in each fiscal year and what was the total dollar amount of those claims (if either is not known place a check in the unknown column):

<u>Fiscal Year</u>	<u>Number Filed</u>	<u>Unknown</u>	<u>Amount of Claims</u>	<u>Unknown</u>
1992	_____	_____	\$ _____	_____
1991	_____	_____	\$ _____	_____
1990	_____	_____	\$ _____	_____
1989	_____	_____	\$ _____	_____
1988	_____	_____	\$ _____	_____
1987	_____	_____	\$ _____	_____

6. Does your agency expect the number of workers' compensation claims to \_\_\_increase, \_\_\_decrease, or \_\_\_remain constant over the next year?

7. What is the estimated time your agency lost to job-related injuries in fiscal year 1992? \_\_\_\_\_

8. In fiscal year 1992, what were the most prevalent injuries experienced by your agency's employees? (please rank sequentially from 1 to 5)

- \_\_\_\_\_ back injury  
 \_\_\_\_\_ head injury  
 \_\_\_\_\_ leg/knee injury  
 \_\_\_\_\_ arm/shoulder injury  
 \_\_\_\_\_ other (please specify below)

9. Who in your agency initially reviews and approves workers' compensation claims? \_\_\_\_\_

10. Are all claims reviewed by agency management?

\_\_\_\_\_ Yes If so, please specify name and title of person(s) below.

\_\_\_\_\_ No  
 \_\_\_\_\_ Some If some, who determines which claims are reviewed?

11. Does your agency verify the validity of all workers' compensation claims filed by your employees?

Yes  
 No (please explain why below)

---

---

12. Does your agency perform any follow-up on workers' compensation claims?

Yes If so, please describe the process below.  
 No

---

---

13. When your agency receives a workers' compensation-related invoice for services, what procedure is followed to ensure that the claimant is employed by your agency, the services are appropriate to the injury, and the charges are accurate?

---

---

---

14. What agency personnel perform the oversight function in Question 13?

---

---

---

15. Are witness statements required by your agency when a workers' compensation claim is filed?

Yes  
 No

16. Does your agency currently have an employee safety program?

Yes  
 No **SKIP TO QUESTION 32.**

17. Are there staff permanently assigned to the development and administration of the employee safety program?

Yes If so, specify the number of employees \_\_\_\_\_  
 No

(over)

18. Are new employees informed about the employee safety program when hired?

Yes If so, please specify how below.

No

---

---

19. How long has the program been in effect?

less than 1 year

1 to 3 years

4 to 7 years

8 to 10 years

greater than 10 years

other \_\_\_\_\_

20. How long did it take to design and fully implement your employee safety program?

1 to 3 months

4 to 6 months

7 to 9 months

greater than 9 months

21. What prompted your agency to implement an employee safety program?

consultation with other agencies

frequency of injuries on the job

required by law or regulation(s)

increased workers' compensation expenditures

other (please specify below)

---

---

22. What have been the benefits of your employee safety program? (please check all that apply)

reduced incidence of injuries

reduced amount of lost work time

increased education of employees on safe work behavior

improved work conditions

increased control of injury-related costs

other (please specify below)

---

---

23. What were the estimated costs of establishing your employee safety program? \$ \_\_\_\_\_

24. What are the estimated annual costs to maintain your employee safety program? \$ \_\_\_\_\_
25. Is information about the employee safety program included in the department's policies and/or procedures manual?
- \_\_\_\_\_ Yes If so, please enclose a copy of the relevant sections.  
\_\_\_\_\_ No
26. Does your agency have an employee safety program committee?
- \_\_\_\_\_ Yes  
\_\_\_\_\_ No **SKIP TO QUESTION 28.**
27. How often does the employee safety program committee hold meetings?
- \_\_\_\_\_ monthly  
\_\_\_\_\_ quarterly  
\_\_\_\_\_ semi-annually  
\_\_\_\_\_ annually  
\_\_\_\_\_ other
28. How would you rate the effectiveness of your employee safety program in: (A=excellent, B=good, C=fair, D=poor)
- \_\_\_\_\_ reducing the incidence of injury  
\_\_\_\_\_ reducing the amount of lost work time  
\_\_\_\_\_ educating employees about the importance of safe work behavior  
\_\_\_\_\_ improved working conditions  
\_\_\_\_\_ limiting/controlling injury-related costs
29. In your opinion, what are the key components of an effective employee safety program?
- \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
30. Is periodic review of the effectiveness of your employee safety program done?
- \_\_\_\_\_ Yes If so, please explain the procedures used and how often below?  
\_\_\_\_\_ No
- \_\_\_\_\_  
\_\_\_\_\_

(over)

31. Has your agency experienced an \_\_\_\_\_increased, \_\_\_\_\_decreased, or \_\_\_\_\_an unchanged amount of workers' compensation claims since the implementation of the employee safety program?

FOR THOSE AGENCIES THAT DO HAVE AN EMPLOYEE SAFETY PROGRAM SKIP TO QUESTION 34.

32. Why has your agency not established an employee safety program? (please check all that apply)

- \_\_\_\_\_ lack of incentive
  - \_\_\_\_\_ budgetary concerns
  - \_\_\_\_\_ not a priority
  - \_\_\_\_\_ staffing concerns
  - \_\_\_\_\_ lack of necessity
  - \_\_\_\_\_ other (please specify below)
- 
- 

33. Does your agency plan to develop and implement an employee safety program within the next year?

- \_\_\_\_\_ Yes
- \_\_\_\_\_ No

34. How would you rate the timeliness of the workers' compensation claims process as performed by the workers' compensation commission?

- \_\_\_\_\_ excellent
- \_\_\_\_\_ good
- \_\_\_\_\_ fair
- \_\_\_\_\_ poor
- \_\_\_\_\_ don't know

35. How would you rate the cooperation received from Workers' Compensation Commission staff when your agency needed assistance?

- \_\_\_\_\_ excellent
- \_\_\_\_\_ good
- \_\_\_\_\_ fair
- \_\_\_\_\_ poor
- \_\_\_\_\_ no opinion

36. In general, would you rate the decisions made by the Workers' Compensation Commission to either approve or deny claims filed by your agency's employees as?

- always fair
- usually fair
- seldom fair
- never fair
- no opinion

If seldom or never fair, please specify the reasons why below.

\_\_\_\_\_

37. What change(s) (if any) would you recommend to improve the current workers' compensation system?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

38. Overall, how would you rate the state workers' compensation system?

- excellent
- good
- fair
- poor

39. Do you have any additional comments?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

40. Would you like to discuss any of these questions or comments personally?

- Yes
- No

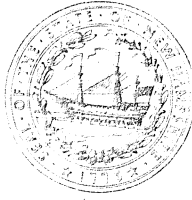
AGENCY: \_\_\_\_\_

COMPLETED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

TITLE: \_\_\_\_\_ PHONE: \_\_\_\_\_



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**APPENDIX G**

**State of New Hampshire**

CHARLES L. CONNOR  
Legislative Budget Assistant  
(603) 271-3161

OFFICE OF LEGISLATIVE BUDGET ASSISTANT  
State House, Room 102  
Concord, New Hampshire 03301

MICHAEL L. BUCKLEY, CPA  
Deputy Legislative Budget Assistant  
Director, Audit Division  
(603) 271-2785

August 21, 1992

The Audit Division of the Office of Legislative Budget Assistant is conducting a performance audit of the New Hampshire workers' compensation program for state employees. Pursuant to our charge from the New Hampshire General Court, the division is conducting a survey of New England states to gather comparative data on their workers' compensation programs, employee safety programs, and methods of funding workers' compensation.

We would appreciate you or someone you designate in your agency who is familiar with the workers' compensation program completing the enclosed questionnaire and returning it to us. Please return the questionnaire by September 4, 1992 in the enclosed postage-paid envelope. If you have any questions, please contact me at (603) 271-2785.

Thank you very much for your cooperation.

Sincerely,

Richard D. Pugh  
Senior Performance Auditor

RDP/plh

Enclosures:  
Questionnaire  
Return envelope

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STATE OF NEW HAMPSHIRE  
OFFICE OF LEGISLATIVE BUDGET ASSISTANT  
AUDIT DIVISION  
NEW ENGLAND WORKERS' COMPENSATION QUESTIONNAIRE  
AUGUST 1992

1. As of June 30, 1992, how many state employees comprised each category in the state workforce?

\_\_\_\_\_ full-time positions  
\_\_\_\_\_ part-time positions  
\_\_\_\_\_ temporary full-time positions  
\_\_\_\_\_ temporary part-time positions  
\_\_\_\_\_ contracted positions  
\_\_\_\_\_ other (please specify below)

---

2. How many agencies are there in your state government? \_\_\_\_\_

3. What percentage of employees comprise the following positions in your state workforce?

\_\_\_\_\_ % clerical/administrative  
\_\_\_\_\_ % maintenance/janitorial  
\_\_\_\_\_ % management/supervisory  
\_\_\_\_\_ % laborer/construction  
\_\_\_\_\_ % public safety/law enforcement/corrections  
\_\_\_\_\_ % medical/social services  
\_\_\_\_\_ % other (please specify below)

---

4. Who administers the workers' compensation program for state employees in your state? (please check all that apply)

\_\_\_\_\_ State Department of Labor  
\_\_\_\_\_ State Workers' Compensation Commission/Board  
\_\_\_\_\_ Third Party Administrator  
\_\_\_\_\_ each employing state agency  
\_\_\_\_\_ other (please specify below)

---

---

(over)

5. If your state has a separate unit which processes workers' compensation claims for state employees, how many staff are assigned directly to that unit?

\_\_\_\_\_ less than 5  
\_\_\_\_\_ 6 to 10  
\_\_\_\_\_ 11 to 15  
\_\_\_\_\_ 16 to 20  
\_\_\_\_\_ greater than 20

6. What is the governing statute(s) for your state's workers' compensation program? (please enclose a copy of the statute)

\_\_\_\_\_

7. For fiscal year 1992, how many workers' compensation claims were filed for: (please specify number of claims below)

\_\_\_\_\_ medical costs only  
\_\_\_\_\_ medical costs and lost time (i.e., indemnity payments)

8. In fiscal year 1992, what were the most prevalent injuries experienced by employees of state agencies? (please rank sequentially from 1 to 5)

\_\_\_\_\_ back injury  
\_\_\_\_\_ head injury  
\_\_\_\_\_ leg/knee injury  
\_\_\_\_\_ arm/shoulder injury  
\_\_\_\_\_ other (please specify below)

\_\_\_\_\_

9. Please state the medical and indemnity expenditures for the state workers' compensation program for fiscal year 1992.

\$ \_\_\_\_\_ medical expenditures  
\$ \_\_\_\_\_ indemnity expenditures  
\$ \_\_\_\_\_ administrative expenditures

10. Has your state experienced an \_\_\_\_\_ increased, \_\_\_\_\_ decreased, or \_\_\_\_\_ unchanged, number of workers' compensation claims filed by state employees between 1987 and 1992?

11. Approximately how many state employees were receiving workers' compensation benefits as of June 30, 1992? \_\_\_\_\_

12. How are state government employees insured for workers' compensation?

- self-insured
  - insured through private insurance carrier
  - uninsured
  - partially self-insured (please specify deductible amount that must be met before other coverage begins \$ \_\_\_\_\_)
  - other (please specify below)
- 
- 

13. Is there a legal requirement to use a particular type of insuring method?

- Yes (please specify) \_\_\_\_\_
- No

14. If your state's workers' compensation program is privately insured, what was the approximate annual premium paid in fiscal year 1992? \$ \_\_\_\_\_

15. If your state's workers' compensation program is self-insured, how is the account funded?

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16. If your state's workers' compensation program is self-insured, what was the estimated reserve in the fund as of June 30, 1992? \$ \_\_\_\_\_

17. What agency/judicial body hears initial appeals of workers' compensation agency decisions?

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18. When a state employee's workers' compensation claim is denied, what levels of appeal may the employee pursue? (please rank sequentially from 1 to 4)

- State Department of Labor
  - State Appeals Board
  - Court System
  - other (please specify below)
- 

(over)

19. Who represents the state when a workers' compensation claim denial is first appealed?

- Attorney General's Office
  - member of workers' compensation agency
  - other (please specify below)
- 
- 

20. What percentage of state workers' compensation claims were appealed after an initial denial in fiscal year 1992?

- less than 10%
- 10% to 25%
- 26% to 50%
- greater than 50%

21. Does your state use lump-sum settlements of state workers' compensation claims to terminate indemnity payments?

- Yes If so, please specify for fiscal year 1992 the number of claims \_\_\_\_\_, and the actual dollar amount of claims \$ \_\_\_\_\_.
- No

22. Who investigates the validity of a state employee's workers' compensation claim? (please check all that apply)

- workers' compensation agency
  - private investigator
  - employee's supervisor
  - workers' compensation agent at employee's agency
  - claims are not investigated **SKIP TO QUESTION 24**
  - other (please specify below)
- 
- 

23. If all claims are not investigated please specify the criteria used to determine which claims are investigated and by whom.

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24. Who approves the payment of workers' compensation-related bills for medical services?

- State Department of Labor
  - State Workers' Compensation Commission/Board
  - Third Party Administrator
  - each employing state agency
  - other (please specify below)
-

25. When your workers' compensation agency receives a workers' compensation-related invoice for services, what procedure(s) does your agency follow to ensure the services are appropriate to the injury and the charges are accurate?

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26. Does your state's workers' compensation agency contract out any of the following to private non-state agency providers? (please check all that apply)

- legal services
- investigative services
- vocational rehabilitation services
- the state does not contract out **SKIP TO QUESTION 31**
- other services (please specify below)

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27. Of the contracted services indicated above, which services were used most often in fiscal year 1992?

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28. What percentage of claims for fiscal year 1992 involved contracted services?

- less than 25%
- 26% - 50%
- greater than 50%

29. What was the estimated amount spent on contracted services for fiscal year 1992? \$ \_\_\_\_\_

30. Is competitive bidding required for contracted services?

- Yes
- No If no, how are contracted services procured?

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(over)



31. Does a central state workers' compensation agency maintain information on workers' compensation claims activity?

\_\_\_\_\_ Yes If so, please specify the type(s) of data retained:

\_\_\_\_\_

\_\_\_\_\_ No

32. How long has your state compiled workers' compensation information?

\_\_\_\_\_ less than 1 year

\_\_\_\_\_ 1 to 3 years

\_\_\_\_\_ 4 to 7 years

\_\_\_\_\_ greater than 7 years

33. To what extent does your state maintain "historical" workers' compensation data?

\_\_\_\_\_

34. Does your state have an automated claims management system?

\_\_\_\_\_ Yes If so, please describe below and use additional sheets if necessary.

\_\_\_\_\_ No

\_\_\_\_\_

35. Are workers' compensation data periodically analyzed? (If so, please check all that apply and specify how often below).

\_\_\_\_\_ expenditures

\_\_\_\_\_ number of claims

\_\_\_\_\_ type of injury

\_\_\_\_\_ other

\_\_\_\_\_

36. Do any state agencies have formal employee safety programs?

\_\_\_\_\_ Yes If so, how many \_\_\_\_\_

\_\_\_\_\_ No

37. Do you have any additional comments?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

38. Please send us a copy of your most recent workers' compensation annual report (if available) and any relevant policies and procedures.

STATE: \_\_\_\_\_

AGENCY: \_\_\_\_\_

COMPLETED BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

PHONE NO: \_\_\_\_\_ DATE: \_\_\_\_\_



**PERFORMANCE AUDITS**  
**ISSUED BY**  
**OFFICE OF LEGISLATIVE BUDGET ASSISTANT**

<u>NAME OF REPORT</u>	<u>DATE</u>
<u>Review of the Management and Use of State Owned Passenger Vehicles and Privately Owned Vehicles Used at State Expense</u>	August 1984
<u>Management Review of the Policies and Procedures of the Division of Plant and Property Management</u>	June 1984
<u>Review of the Public Employees Deferred Compensation Plan</u>	December 1987
<u>Review of the Allocation of Highway Fund Resources to Support Agencies and Programs</u>	March 1988
<u>Review of the Indigent Defense Program</u>	January 1989
<u>Hazardous Waste Management Program</u>	June 1989
<u>Mental Health Services System</u>	January 1990
<u>Department of Administrative Services, Division of Plant and Property Management State Procurement and Property Management Services</u>	June 1990
<u>Developmental Services System</u>	April 1991
<u>Prison Expansion</u>	April 1992

Copies of the above reports may be received by request from:

Office of Legislative Budget Assistant  
Room 102 State House  
Concord, New Hampshire 03301  
(603) 271-2785

