

**Workers' Compensation Advisory Council
Nov. 19, 2014 meeting minutes**

Members attended

Jason Bartlett
Bill Blazar
Walter Fredrickson
Russell Hess
Glen Johnson
Shar Knutson
Bobbi Pearson
Ed Reynoso
Robert Ryan
Gary Thaden

Members excused

Elaine Garry
Robert Lux

Nonvoting members attended

Rep. Tony Albright
Rep. Tim Mahoney

DLI staff members attended

Sandy Barnes
Kate Berger
Jon Brothen
Ralph Hapness
Mike Hill
Lorelei Hoyer
Doug Julin
Karen Kask-Meinke
Wendy Legge
Chris Leifeld
Mark McCrea
David Musielewicz
Donna Olson
Clayton Overmire
Ken Peterson
John Rajkowski
Patty Rutz
Jessica Stimac
Jim Vogel
Lisa Wichterman
Christine Wojdyla
Laura Zajac

Nonvoting members absent

Sen. John Pederson
Sen. Dan Sparks

Visitors attended

Craig Anderson, MWCI
Gary Carlson, LMC
Evan Cordes, MCIT
Eric Dick, MMA
Mary Dougherty
Susan Gigiere, MAPS
Shep Harris, MCIT/MSIG
James Heer, WCRA
Suzanna Kennedy, Stinson Leonard Street
Brad Lehto, AFL-CIO
Kristin Loncorich, MHA
Micki Mathiesen, SFM
Brian Martinson, Senate
Philip Moosbrugger, Department of Commerce
Tom Mottaz, Mottaz Law
Laura Mundt, Mayo Clinic
Tammy Pust, OAH
Dennis Salita
Joe Schindler, MHA
Joe Twomey, MDLA
Phil Vigliaturo, Department of Commerce

I. Call to order and roll call

Commissioner Ken Peterson called the meeting to order at 10:02 a.m. Members of the advisory council introduced themselves and a quorum was present.

II. Announcements

Commissioner Ken Peterson acknowledged that Bill Blazer, Minnesota Chamber of Commerce, is now a member of the Workers' Compensation Advisory Council, taking over from David Olson, who passed away. Bill Blazer had been the alternate member for David Olson. The commissioner recognized that David Olson had been a part of the advisory council since its inception and will be greatly missed. Two new members of the advisory council were introduced: Bobbi Pearson, Cargill; and Jason Bartlett, Hormel, who is sitting in for Susan Olson. The commissioner also announced Kris Eiden, Department of Labor and Industry (DLI) deputy commissioner, is on medical leave. Chris Leifeld, director of DLI's Alternative Dispute Resolution unit, was introduced and is taking over the responsibilities of Kris Eiden during her illness, in her role as head of the Workers' Compensation Division.

III. Approval of the agenda

Gary Thaden moved to approve the agenda and Robert Ryan seconded the motion. All voted in favor and the motion carried.

IV. Approval of minutes

Bill Blazer moved to approve the minutes for the March 12, 2014 meeting. Shar Knutson seconded the motion. All voted in favor and the motion carried.

Gary Thaden moved to approve the minutes for the June 11, 2014 meeting. Glen Johnson seconded the motion. All voted in favor and the motion carried.

The commissioner asked that before they get to the agenda items, the advisory council review some materials in their packets. The first one for the members to review was "Number of workers' compensation claims in Minnesota since 2000." The commissioner pointed out that in 2000, there were a total 168,200 claims, eight claims per 100 workers; and in 2013, there were 98,900 claims, 4.7 claims per 100 workers. He explained that, overall, Minnesota's workplaces have become safer. There are a number of reasons for safer workplaces, including new technologies and increased awareness of the importance of safety.

The second chart he pointed out was "Workers' compensation fund projections," displaying a table of expenditures and revenues of the fund. The total expenditures and assessments have decreased considerably from 2007 to 2015. Over the long-term, this trend will reduce the amount of premiums the employers pay for workers' compensation insurance.

V. Agenda items

A. Rate Oversight Commission duties

The commissioner pointed out that although the council's chief responsibility is to make recommendations to the Minnesota Legislature, a second is to review workers' compensation rate premiums. He explained there would be presenters from the Minnesota Workers' Compensation Insurers Association (MWCIA) and the Minnesota Department of Commerce who will explain how workers' compensation rates are calculated.

i. MWCIA calculation of workers' compensation pure premiums

Craig Anderson, vice president and an actuary from the Minnesota Workers' Compensation Insurers Association (MWCIA), was introduced. Craig Anderson explained the MWCIA collects, processes and analyzes workers' compensation data to provide information to their insurer members and the state of Minnesota. On Aug. 5, 2014, the report was released to the MWCIA members and on its website. Craig Anderson presented his executive summary for the ratemaking report and pointed out the overall reduction of pure premium levels of 2.5 percent. (See attached report for details.)

ii. Minnesota Department of Commerce actuarial discussion

Phil Vigliaturo, a property and casualty actuary from the Minnesota Department of Commerce, was introduced. He explained he was there to provide his observations and insights into the MWCIA's 2015 Ratemaking Report. He explained MWCIA uses methodologies similar to the remainder of the industry, with the exception being MWCIA does not include some of the information that is usually available in most states pure premiums – that of loss-adjustment expense. MWCIA looks at historical trends for severity and frequency, as well as CPI information for the average weekly wage. He also mentioned TRIA (terrorism insurance) is set to expire Dec. 31; it has not been reauthorized and is a concern of the Department of Commerce and those involved with the workers' compensation system. It may cause some uncertainty with the carriers, who may be less willing to take on more risk. Under TRIA, the federal government would help insurers cover losses in the event of a terrorist attack and impose assessments on the insurance industry to recover all or a portion of the federal payments.

B. Status of the workers' compensation computer system modernization

Chris Leifeld presented a proposal to the group concerning modernization of the workers' compensation data system. There is currently a feasibility study to determine the best option to make DLI's technology more efficient. Chris Leifeld explained a request for offer (RFO) was solicited and a Minnesota-based consultant, Project Consulting Group (PCG), was chosen to provide the analysis and recommend the best options for the DLI Workers' Compensation Division to modernize its computer system. The project is expected to last 16 to 18 weeks, with a final report due by late April.

Chris Leifeld explained the consultant will be studying what is presently used and conducting interviews about what the actual needs are for the division. The final report from PCG will include the options it proposes, next steps and a cost analysis of each of the options. The PCG staff will be on site starting Dec. 1 to conduct interviews and determine a time frame for the project.

The commissioner said the cost of such a modernization is unknown at this time, but if the project cost comes back as too expensive, DLI will not accept the proposal; the proposal would have to go to the Legislature to get funding. Gary Thaden commented the current proposal includes that the state's MN.IT Services approve and the technology standards meet its approval. While Gary Thaden agreed from a security standpoint that MN.IT Services should approve, DLI's decision should not be based solely on MN.IT Service's approval. Most important, the technology should be secure and meet the needs of the stakeholders.

Rep. Tim Mahoney questioned whether PCG has looked at software being used in other states and whether it can be easily adapted. He indicated technology is changing rapidly and DLI will need a system that can keep up. Chris Leifeld explained one of the criteria for the consultant will be looking at other states' technology systems that DLI could possibly use.

Bill Blazer asked how long it would be before the new system was up and running. Chris Leifeld explained it would take at least a couple of years before any new system is integrated. The current system is adequate because MN.IT Services @ Labor and Industry continually makes improvements, but it will come to the point where it will not make sense to fix it, but rather go with a new, updated system. Rep. Tim Mahoney suggested it may be more cost-effective and efficient to update the technology now rather than wait until something goes wrong. Chris Leifeld said the analysis will be done in late March and options can be looked at then.

C. Status of diagnosis related group (DRG) hospital inpatient payment methodology proposal

Commissioner Ken Peterson said he went over this topic with both the employee members and the employer members. He said all agree the largest share of workers' compensation costs are medical costs. The hospital costs have been the fastest rising of all costs in this area. Minnesota has an unusual way of paying for medical costs – 85 percent of the prevailing charge for those hospitals with more than 100 beds. Those hospitals with fewer than 100 beds get 100 percent of the prevailing charge. The issue between the hospitals and insurers is, what is the prevailing charge? He felt there are too many disputes, delayed payments, etc.

Rep. Tim Mahoney and the Legislature provided financial incentives for the hospitals. Commissioner Ken Peterson explained both the hospitals and insurers have been asked to provide summary data and case-by-case data; and, so far, neither has been able to get that data to us. The Hospital Association said they are working on getting this information to us. The Insurance Federation has also promised to provide their information by the end of the week. Our consultant with Optum Consulting has information from 22 states and can probably take that data and determine a proposal. Our hope is something will be done by mid-December. We need both the insurers and the hospitals to provide this data.

Rep. Tim Mahoney questioned why the insurers and hospitals in Minnesota cannot come up with the numbers when 22 other states have that information. He indicated this has to be reported to the Legislature by Jan. 15 or the incentives go away. Bill Blazer agreed and said he hopes the hospitals and insurers can come up with the necessary data for the agency so the incentive dollars will not be lost. The commissioner said we are all in agreement about this issue.

D. New business – presentation by Lisa Wichterman, Workers' compensation electronic transactions symposium

Lisa Wichterman, DLI, gave some background about Minnesota's efforts to use electronic transactions in workers' compensation paying systems to standardize the administrative processes and reduce costs. She said the Legislature enacted the Health Care Administrative Simplification Act in 2009 to streamline the paying process. There was a symposium with 100 participants who were able to share ideas and best practices, and identify resources. The group will meet in a few months to determine progress and decide on next steps for workers' compensation electronic transactions. The commissioner commented that the Department of Health is the only body that has enforcement action of this law. DLI will

be coming to the advisory council to ask for this enforcement authority also, because it has a vital interest in this area. Gary Thaden said this law has been in effect for five years, so there should be some sort of economic incentive so hospitals are more receptive. The commissioner agreed electronic transmission is a more efficient and effective method of paying.

The commissioner said the next meeting will be Jan. 14, 2015, at 9:30 a.m.

The meeting was adjourned at 11:05 a.m.

Respectfully submitted,
Patty Rutz
Executive Secretary