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## H. B. 5016

### AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2010

**Testimony of Brenda L. Sisco  
Commissioner of Department of Administrative Services**

**March 23, 2010**

Good afternoon Senator Harp, Representative Geragosian, Senator Debicella, Representative Miner, and members of the Appropriations Committee. My name is Brenda Sisco, and I am Commissioner of the Department of Administrative Services.

I am here to request your support for a deficiency appropriation for the state Workers' Compensation General Government and Special Transportation Fund accounts.

#### Background Information regarding the Workers' Compensation Accounts

By way of background, the legislature appropriates money into seven different accounts to pay workers' compensation benefits for all state employees. While DAS is the central administrator for the State of Connecticut workers' compensation program, some of the larger agencies pay benefits out of their own budgets. Specifically, the Departments of Children & Families, Developmental Disabilities, Mental Health & Addiction Services, Correction, and Public Safety pay their own claims. DAS manages the State Transportation Fund ("STF"), which pays the workers' compensation benefits for employees of the Department of Transportation and the Department of Motor Vehicles. We also manage the General Government ("GG") account, which pays the workers' compensation benefits for all other state employees, including those working for the legislative and judicial branches.

Based on our analysis of the loss data for this fiscal year thus far, we project that the workers' compensation costs for this year will exceed the established budgetary levels for both accounts. Specifically, the General Government account will require an additional \$2.5 million and the Special Transportation Fund account will need an additional \$2.0 million in order to cover the projected loss activity for the remainder of FY 2010. These amounts are expected to be sufficient barring any unforeseen events during the last quarter of the fiscal year.

## The General Government Account Deficiency Was Caused by Several Factors

Several factors combined to create the deficiency in the GG account, including:

- Increased number and amount of lost wage benefit recipients compared to last year;
- Increased costs associated with providing medical care compared to last year;
- Increased utilization of the Selective Duty Program; and
- A pre-existing deficiency from FY 2009.

This fiscal year, the number of claims involving lost wage benefits has increased by an average of 24 claims per pay period. As a result, the lost wage benefit payments made from the GG account have increased by an average of \$41,496 per pay period.

Medical care costs have increased in part because employees are receiving more medical services. Projections indicate that the total number of medical bills we will pay this year will exceed last fiscal year by 18%. In addition to the increased utilization, the costs associated with such care have also risen. The medical inflation rate reflected in the budget is inadequate to keep pace with the actual increases in costs in Connecticut.

Another factor that has affected the General Government workers' compensation account is the increased activity in the Selective Duty Program. This is a return-to-work program that was negotiated in the health care employees' union contracts. DAS promotes such return-to-work programs to help employees return to duty as soon as they are able because they benefit the employees and reduce lost-time claims.

With the Selective Duty Program, however, our success in getting employees back to work into light duty positions means additional expenditures for the General Government account. While an employee who is out on workers' compensation is paid benefits out of his/her agency's workers' compensation account, an employee who returns to restricted duty through the Selective Duty Program is paid from the General Government account - regardless of the agency or branch for whom s/he works. The GG account spent \$500,000 for the Selective Duty Program last fiscal year and we anticipate that participation in this program will continue to grow this year.

Finally, some of the GG account deficit relates to the fact that the FY 10 appropriation for the GG account did not reflect the account's FY 2009 deficiency.

## The Special Transportation Fund Deficiency

The STF deficit is primarily caused by unanticipated costs associated with one catastrophic claim and a number of additional claims that required complex surgeries during this fiscal year.

## DAS Efforts to Reduce Expenses

Please know that DAS has been working hard in recent years to reduce workers' compensation expenses for the State of Connecticut – not only in the General Government and Special Transportation Fund accounts – but among all state agencies and branches.

One of our priorities is to create cost containment initiatives within the medical delivery system. To that end, we have established preferred specialty networks and associated discount pricing within the program's WCC Approved Managed Care Organization Plan. We anticipate that the savings attributable to the specialty networks will exceed \$1,000,000 this year.

Additionally, DAS entered into a contract with a new Preferred Provider Organization (PPO) vendor, effective October 2009. In addition to lowering the administrative costs for processing medical bill review and re-pricing, this contract gave DAS the opportunity to negotiate lower reimbursement rates for many procedures. DAS expects to achieve over \$700,000 in administration savings for FY 2010 as a result of this new PPO contract.

DAS has also focused on increasing safety throughout the state in an effort to reduce workers' compensation injuries, and therefore costs. We work with agencies to help them develop internal Safety and Health Committees. Thus far, DAS has facilitated the establishment and certification of 76 Safety and Health Committees throughout state government and continue to work on incorporating these committees into the culture of each agency. Moreover, through our Loss Control Program, DAS staff works directly with state employees to identify and remediate the triggers that cause the worker injuries.

Equally as important to the cost savings are the administrative steps DAS has taken to create efficiencies in agencies' administrative processes; thereby reducing processing time and improving consistency and accuracy. These initiatives include the following:

- Finalized phase two of the DAS Core-CT processing manual. This phase provides agency claim processors a streamlined guide to internal claim processing at the agency level. The decentralized agency processing will now have uniform standards and quick guide instruction to deliver consistent credible information within Core-CT. Training will be starting the 4<sup>th</sup> quarter of this fiscal year.
- Developed a Core-CT report to extract injured employees' wages for indemnity benefits. This initiative will free up processing time and deliver more consistent and accurate results.
- Implemented a computer application which standardizes first check reconciliation for all state agencies. The application will provide more accurate and consistent results along with drastically decreasing agency time on this process.

Thank you for the opportunity to present this information today. I am happy to answer any questions the Committee may have.

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