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GOVERNOR'S
MANAGEMENT
REVIEW
COMMISSION

OPERATIONAL REVIEW
OF
SICK LEAVE INJURY

September 14, 1990

GOVERNOR'S MANAGEMENT REVIEW COMMISSION

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The SLI benefit was novel when introduced in 1939 and remains unique to both the public and private sectors today. According to the Council of State Governments, data on the subject of SLI is meager and only the State of Michigan has a similar program. The Federal Government has a program called "COP - Continuation of Pay" which is built on the same premise as SLI, but benefits are limited to a total of 45 days. Generally speaking, most states and private industry rely on Workers' Compensation, with or without additional disability insurance.

SLI - PROCESS, USAGE AND COSTS

The SLI Process

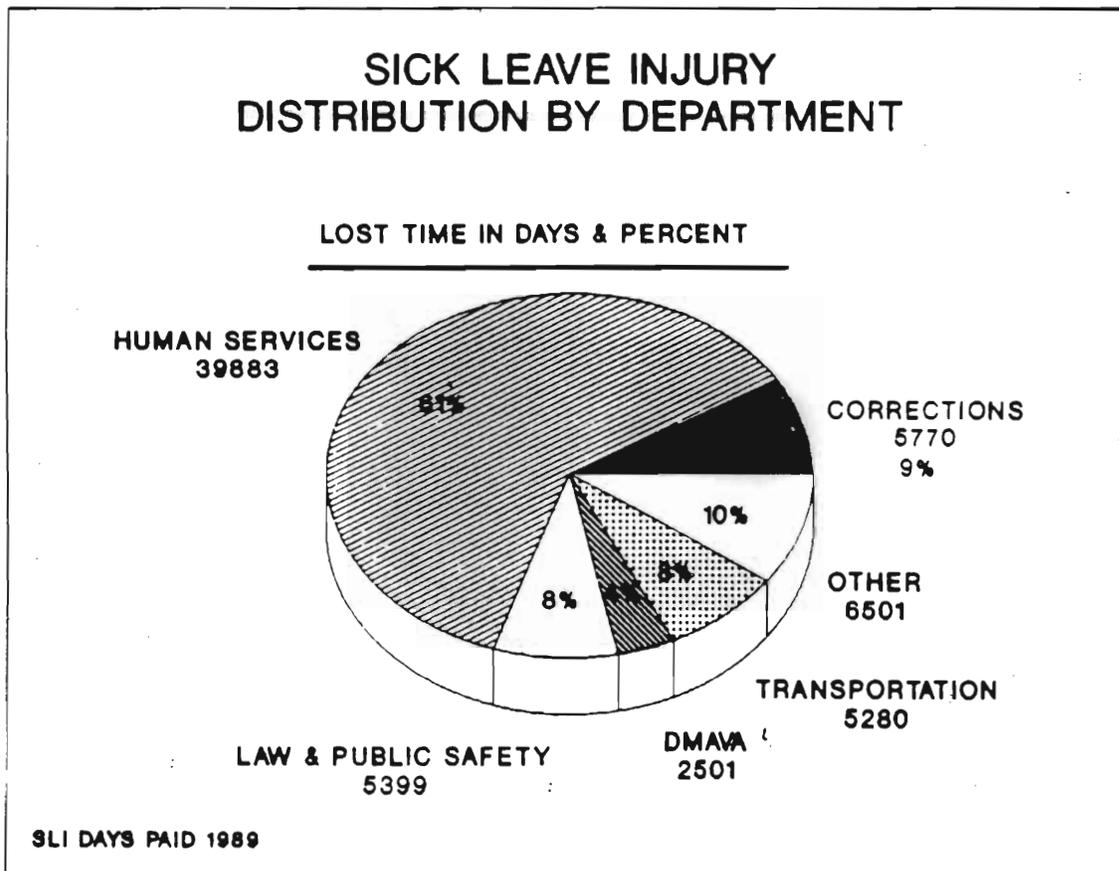
The following steps are typical of the SLI process in most state agencies in New Jersey after an injury is sustained by a state employee:

1. The unit supervisor completes an accident report with a description of the injury and circumstances involved.
2. The employee is instructed to see either the state nurse or a state-approved private physician. The physician examines the employee and makes the recommendation as to whether the injured employee is able to return to work.
3. The agency reviews the medical information and recommends approval or denial of the request for SLI benefits.
4. An employee injury report and relevant information is provided to the Department of Personnel (DOP) by the agency for formal approval or disapproval of SLI. If the request is disapproved and the employee appeals, DOP administers the appeal process.
5. The Department of Personnel refers approved SLI cases to the Bureau of Risk Management in Treasury. All medical bills associated with the injury are then forwarded to the Bureau of Risk Management for payment.

The Bureau of Risk Management, with a staff of some 60 people, is responsible for the administration of SLI claims. The Bureau of Risk Management's administration functions include elements of loss prevention, field investigation, subrogation and records management. A UNISYS 7000 computer was acquired about two years ago to develop a data base to support claims administration process. Little or no progress has been made to effectively utilize this equipment for its intended purpose.

SLI Usage

The nature of the work performed in state government varies widely across agencies. In those instances where there is close contact with institutionalized persons, where safety and security functions are being performed or where heavy equipment and machinery are used, there is a higher incidence of SLI. Attachment 3 illustrates the growth in SLI from 1988 to 1989. As can be seen below, the concentration of usage is in the Departments of Human Services, Transportation, Law and Public Safety, and Corrections.



The Cost of SLI

The cost of the SLI benefit to the State of New Jersey takes a number of forms. The first and most obvious is the productive time lost through injury. The cost of days lost in 1989 is valued at approximately \$7.7 million. The basis for these costs are the 65,000 SLI days approved in calendar year 1989, which at an average cost of \$118 per day, equates to lost time and productivity valued approximately \$7.7 million per year.

The replacement of injured employees is another consequence of SLI lost time. A conservative estimate of the replacement of those employees lost through injury, either by temporary workers or overtime, contributes an additional \$4.0 million to the annual cost.

The administrative costs at the 19 departments, the approval and appeal function in the Department of Personnel and the claims and vendor payment process in the Bureau of Risk Management add an estimated \$5.0 million. An additional \$10.5 million of the \$21 million budgeted for medical costs in Fiscal Year 1991 is estimated to be attributable to SLI. These costs include hospital care, doctors services, medicines, prosthetics, X-rays and the entire array of health care products necessary to attend to the injured employee. Add to all of the above court fees, equipment to maintain operations and a host of miscellaneous costs estimated at \$2.8 million. In total, the annual SLI cost - both direct and indirect - approximates \$30 million per year.

SLI SYSTEM SHORTCOMINGS

The SLI administrative process is seriously flawed and in need of major rethinking. Responsibilities are fragmented with a resultant absence of a single source of authority and accountability. As noted above, responsibility for the effectiveness of the process is

currently shared among the agency managers, the Bureau of Risk Management, the Department of Personnel and payroll clerks who administer SLI at the departmental level. This situation precludes comprehensive, long range program planning and relegates processing improvements to the agency level.

Creative program enhancements are few, and attempts to provide policy guidance to support claims judgments are difficult, if not impossible to implement. Additionally, claims performance data is absent which impedes detection of injury trends or management initiatives which have lead to positive results.

A lack of control, authority, and procedures has resulted in management abdicating these decisions to clerical levels at agencies. This has restricted the transference of productive ideas and techniques from one agency to another. Even worse is that standard procedures for handling claims do not exist. Also, judgments regarding claim distinctions are rarely made. Because initial judgments to authorize SLI revert to the lowest clerical level, all claims tend to be merely processed rather than evaluated. The state's best judgment is not applied where it counts and the cost of SLI rises faster than necessary.

The health and safety of employees is of primary concern to the state. Workplace safety measures represent the first line of defense in protecting employees and controlling rising claims. Unfortunately, attention to these matters is inadequate at the state level and typically absent at the department level. Employee health and safety concerns receive very little attention around the state, and corrective measures on work conditions responsible for injury are left to happenstance.

The Public Employee Occupational Safety and Health Act (PEOSHA), administered by the Division of Workplace Standards in the Department of Labor also directs its efforts to public employee health and safety, but the Division's responsibilities cover the state's entire public sector. PEOSHA's role is to monitor and enforce safety standards, not to take remedial actions under normal circumstances.

The Bureau of Risk Management is inadequately staffed at present to handle this critical function on the scale required. Therefore, the potential benefits from loss control and health and safety efforts are largely ignored.

In summary, the SLI program inadequacies include:

- Absence of a central source of accountability and control
- Fragmented administration and lack of training
- Absence of standard operating procedures
- Inadequate attention to cost control
- Inadequate loss control efforts
- Insufficient emphasis on employee health and safety and accident prevention.

SLI - OPPORTUNITIES FOR IMPROVEMENT

The Commission recognizes that escalating costs and a host of program inadequacies have created a major opportunity for improvement in the administration of the SLI program. In an effort to address this issue, we have identified two state initiatives which show promise as creative ideas around which further efforts to improve the management of SLI can be built.

Department of Transportation SLI Program Initiative

The Department of Transportation (DOT) is the only department known to have taken positive and successful action to reduce the growing incidence of SLI use. As long ago as 1979, again in 1985 and as recently as April of 1990, Mr. Reynold Risoldi, Assistant Director of Personnel in the DOT, urged that the state adopt the management practices which DOT has instituted. DOT's efforts have successfully stemmed the growth of SLI in the department (Attachment 4).

Because of the nature of their work, employees at DOT are more vulnerable to on-the-job injuries than most employees in other state agencies. As a result of their initiative, SLI days dropped from 12,300 in 1979 to slightly less than 5,000 in 1989, a reduction in excess of 60% (Attachment 5). The DOT measures were taken in a period of rapidly escalating costs, procedural confusion, a lack of controls, no obvious central authority and no central policy direction. These circumstances prevail today.

DOT focused on the cost of medical services provided to employees, which constituted about one half of all SLI costs. The key remedial measure their recommendations lead to was establishing five regional medical facilities, staffed by a professional nurse and supported by a physician. Under this plan an injured employee is first examined by the department's physician for evaluation and treatment.

This change has had the effect of removing control of the SLI recommendation from a private physician and establishing it within the department. With these newly established controls, DOT found that:

- Delays experienced in getting a doctors appointment while on SLI were minimized.
- The costs for medical services were considerably less.
- Administration and payment of bills was reduced dramatically.
- Lost time due to injuries dropped from an average of 19.2 days per injury in 1979 to 12.5 days in 1988.
- The shift in control from the private physician to the staff physician reduced the back-to-work turnaround time significantly.

The DOT program was fashioned around effective cost-containment models developed in the private sector. New Jersey Manufacturers Insurance Company and other large corporations operate private clinics. Outside medical providers are not used unless required. Both the DOT and private sector experiences demonstrate the inherent viability of this fundamental change in approach to controlling the costs of SLI.

Department of Personnel SLI PILOT PROGRAM

On June 26, 1990 under the guidance and authority of Andrew Weber, Commissioner of the Department of Personnel, a pilot demonstration project program was initiated to review the current SLI process. The specific objectives of the pilot program were to reduce costs, expedite appropriate SLI benefits under Title 11A and improve health and safety conditions in the workplace (Attachment 6).

Three departments, Transportation, Community Affairs and Insurance, will participate in this program, as will the Marlboro Psychiatric Hospital, the Garden State Reception and Youth Correctional Facility and the NJ Veterans Memorial Home in Vineland. A small staff has been reassigned to this pilot program. A questionnaire has been developed and specific task force objectives have been established. The objectives are:

- The development of a data base to collect SLI information and assist in its analysis.
- The development of standard operating procedures for use by the participating departments.
- Implementation of a health and safety improvement program.
- The initiation and expansion of loss control processes for each department.

SUMMARY

The SLI benefit is relatively unique to both the private and public sectors. The law establishing the benefit is now 51 years old and the program is in need of major revision.

SLI ISSUE RECOMMENDATIONS

The SLI issue is a complex one. This is reflected by the issues identified above which are part of the Department of Personnel's pilot program. Each of these issues can legitimately be considered the subject of a project by itself. What makes this issue complex is the fact that SLI, as a program, is too small to demand its own administrative structure, and yet much too costly and pervasive to be without a central source of policy-making and administration.

It is clear that there is a need for a comprehensive organizational and structural analysis, one which will position SLI to be managed and controlled like a program. It should also take advantage of administrative processes and lateral benefits of other programs that share similar characteristics such as Workers' Compensation and Temporary Disability Insurance. This organizational/structural perspective is not presently included in the DOP pilot program and should be.

The present pilot program must also build upon the successes of DOT's SLI initiative and its applicability to the state's current SLI program. Considering the substantial cost containment potential these measures represent and the current extensive state medical facility network that exists, expansion of the DOT initiatives would be extremely advantageous.

Commissioner Weber's initiative is the right move at the right time for this focused review of the SLI issue. The recommendations below build on this beginning and add to the effectiveness of efforts to control SLI.

To improve the administration and control of SLI, it is recommended:

1. The present DOP pilot program should be modified to include an organizational analysis, as well as consideration of the potential to transfer management practices from DOT's initiative.
2. The DOP pilot program should be supplemented with additional, appropriate resources. A task force should be organized with participation from the Bureau of Risk Management, the Departments of Personnel and Labor, agency human resource representatives, DOT personnel staff, PEOSHA personnel, OTIS, and OMB. These resources will assure input from all participating managers involved with SLI and related programs.
3. Those elements of the current pilot program that show great promise in lessening employee exposure to on the job injuries and reducing the cost of SLI should be advanced. Among these are:
 - Exploration of light duty assignments through the employment of injured employees in areas where their impairment will not prevent continued service. DOT has an operational program in place which can serve as a state-wide model.
 - The establishment of employee and management committees at work sites where health and safety concerns are presented to correct safety problems.

4. Department of Personnel's involvement should be short term and focused on creating solutions. However, once this has been accomplished, it is our recommendation that the Department of Personnel relinquish its role and function in the SLI process and the agencies respond directly to the Bureau of Risk Management. Such a determination would be a forward step to strengthen and streamline the process.
5. There should be a central policy and rule-making authority for the management of SLI.
6. There should be a review the relationship of SLI to the current Workers' Compensation and Temporary Disability programs.

FISCAL IMPACT OF MANAGEMENT IMPROVEMENTS

As noted earlier, the cost of the SLI benefit to the State of New Jersey has been estimated at \$30 million per year. The fiscal impact of improving the management and administration of this benefit can generate an estimated annual savings to the state of approximately \$15 million.

The Department of Transportation's experience indicates that a pro-active approach to SLI management can reduce employee usage from 12,000 to 5,000 days (60%) and maintain it at this reduced level. The three other departments that have a high SLI experience are:

<u>Department</u>	<u>SLI Days Lost</u>	<u>% of Total</u>
Human Services	39,883	61%
Corrections	5,770	9%
Law & Public Saf.	5,399	8%
Transportation	5,280	8%
Other	<u>9,062</u>	<u>14%</u>
TOTAL	65,334	100%

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Both Human Services and Corrections have existing on-site medical facilities and therefore could quickly implement the Department of Transportation's SLI management initiatives. Based on the DOT experience, it is reasonable to project a reduction of 60% or 27,400 days at these two departments. Although Law and Public Safety does not have staffed medical facilities at the work site, they could refer employees to other state medical facilities. Law and Public Safety's experience could be reduced by 40% from 5,399 to 3,240. The other agencies comprise 14% or 9,000 of the 65,000 SLI days. If they are reduced by 33%, there would be an additional savings of 3,000 days. The total state-wide savings in SLI is estimated at 32,560 days.

The result would be to limit lost productivity to approximately \$3,850,000. The \$4 million in costs of replacement (either overtime or temporary staff) would be reduced by 50% to a cost of \$2,000,000. As these measures would eliminate approximately half the number of claims, the administrative processing cost would be reduced as would the cost of medical claims.

The below table summarizes potential savings accruing as a result of a proactive management program for Sick Leave Injury.

ESTIMATED FINANCIAL IMPACT

<u>COST COMPONENTS</u>	<u>CURRENT</u>	<u>PROPOSED</u>
SLI Salary (1)	\$ 7,700,000	\$ 3,850,000
Replacement Salary (2)	\$ 4,000,000	\$ 2,000,000
Admin. Processing	\$ 5,000,000	\$ 2,500,000
Medical Payments (3)	\$10,500,000	\$ 5,250,000
Other (4)	\$ 2,800,000	\$ 1,400,000
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TOTAL COSTS:	\$30,000,000	\$15,000,000
ESTIMATED SAVINGS:	N/A	\$15,000,000
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NOTES:

1. Salary Cost @ FY'90 estimated \$7.7 million under current program in lost productivity.
2. Overtime and Temporary Workers estimated @ 50%.
3. Total SLI and Workers' Compensation Medical Claims Payment @ \$21 million, SLI is estimated @ 50% of the total or \$10.5 million.
4. Court Costs, Equipment, etc.

To summarize the fiscal impact:

By modifying the present SLI program - incorporating sound management improvements and building in accountability and control - the state could save an estimated \$15.0 million per year.

IMPLEMENTATION ISSUES

The Governor should establish an inter-departmental task force chaired by the Department of Personnel to improve the management of this important benefit program.

Representation from the Department Treasury's Bureau of Risk Management, Office of Management and Budget, and OTIS and with key agency human resource representatives including the Departments of Corrections, Transportation, Labor and Human Services. Their mission is to undertake a comprehensive review and restructuring of the Sick Leave Injury program. The task force should submit an improvement plan for implementation within 120 days of issuance of the executive order.

The implementation plan should include the development of a state-wide policy for a comprehensive disability management program which focuses on insuring the general health and safety of the state's workforce. It should address efforts to minimize the risk of injury or illness to the state's employees, design of a uniform state-wide system to manage and implement a comprehensive disability program, and it should promote the timely return to work of employees after absence from injury.

11A:6-5

CIVIL SERVICE

Administrative Code References

Sick leave, see N.J.A.C. 4A:6-1.J et seq.

Notes of Decisions**1. Wrongfully discharged employees**

Wrongfully discharged public employee, upon reinstatement and award of back pay, was entitled

to both vacation leave and sick leave credits, declining to follow *James v. N.J. State Prison*, 176 N.J.Super 207, 422 A.2d 786. *Eddy v. Department of Transp.*, 208 N.J.Super. 154, 505 A.2d 162 (A.D.1986) vacated, appeal dismissed 105 N.J. 549, 523 A.2d 200.**11A:6-6. State administrative leave**

Administrative leave for personal reasons including religious observances for full-time State employees or those employees of Rutgers, The State University, New Jersey Institute of Technology and the University of Medicine and Dentistry of New Jersey who perform services similar to those performed by employees of the New Jersey State colleges who are in the career service shall be three working days per calendar year. Administrative leave shall not be cumulative and any administrative leave unused by an employee at the end of any year shall be cancelled.

L.1986, c. 112, § 11A:6-6, eff. Sept. 25, 1986.

Historical Note

Prior Laws: C. 11:14-6, 11:14-7 (L.1972, c. 74, §§ 1, 2).

11A:6-7. Leaves for part-time employees

Part-time employees shall receive proportionate vacation, sick and administrative leave.

L.1986, c. 112, § 11A:6-7, eff. Sept. 25, 1986.

11A:6-8. Sick leave injury in state service

Leaves of absence for career, senior executive and unclassified employees in State service due to injury or illness directly caused by and arising from State employment shall be governed by rules of the board. Leaves of absence for career and unclassified employees of a political subdivision directly caused by or arising from employment shall be governed by rules of the political subdivision. Any sick leave with pay shall be reduced by the amount of workers' compensation or disability benefits, if any, received for the same injury or illness.

L.1986, c. 112, § 11A:6-8, eff. Sept. 25, 1986.

Notes of Decisions**1. Arising from employment**

Social worker, who was involved in automobile accident while driving home from work after having completed her last assigned client interview at client's home, was not entitled to sick-leave injury benefits, because her injury did not occur during her normal working hours or during approved overtime hours, rather, her workday ended with completion of her last home interview, and fact that she was authorized to drive state automobile home after her last interview and may have intended to make an employment-related telephone

call home did not satisfy statutory requirement that injury, if off normal work premises, occur while claimant clearly was acting within scope of employment. *Appley v. State of New Jersey Civil Service Com'n*, 190 N.J.Super. 249, 463 A.2d 346 (A.D.1983).

Injury suffered by state employee while off employment premises during her lunch hour was not compensable under N.J.S.A. 11:14-2; repealed; see, now, this section, or regulation, notwithstanding fact that lunch hour had been changed for the day as result of police order to vacate building due to bomb scare. *Morreale v. State, Civil Service Commission*, 166 N.J.Super. 334, 400 A.2d 124 (A.D.1979).

NEW JERSEY ADMINISTRATIVE CODE

4A:6-1.6 Sick Leave Injury (SLI) requirements: State service

- (a) The provisions concerning sick leave injury (SLI) benefits in this subchapter apply to full and part-time State employees in the career, senior executive and unclassified services. SLI benefits for employees in intermittent titles will be based on the expected length of services.
- (b) An employee who is disabled due to a work-related injury or illness shall be granted a leave of absence with pay.
 - 1. An employee who can return to work on a part-time basis shall be compensated for the hours actually worked and receive SLI benefits for the hours missed due to the disability.
 - 2. SLI benefits shall be reduced by the amount of any temporary disability payments under N.J.S.A. 34:15-112 (Workers' Compensation) or N.J.S.A. 43:21-25 et seq. (Temporary Disability Benefits Law).
 - 3. Benefits are limited to a one year period from the initial date of the injury or illness.
- (c) The disability must be due to an injury or illness resulting from the employment.
 - 1. Injuries or illnesses which would not have occurred but for a specific work-related accident or condition of employment are compensable.
 - 2. Pre-existing illnesses, diseases and conditions aggravated by a work-related accident or condition of employment are not compensable when such aggravation was reasonably foreseeable.
 - 3. Illnesses which are generally not caused by a specific work-related accident or condition of employment, are not compensable except when the claim is supported by medical documentation that clearly established the injury or illness is work related.
 - 4. Psychological or psychiatric illness is not compensable, except when such illness can be traced to a specific work-related accident or occurrence which traumatized the employee thereby causing the illness, and the claim is supported by medical documentation.

5. An injury or illness is not compensable when the appointing authority has established that the employee has been grossly negligent, including those injuries or illnesses arising from impairment due to alcohol or drug abuse.
- (d) Any accident resulting in injury for which the employee seeks compensation must occur on the work premises.
1. Work premises are the physical area of operation of the appointing authority, including buildings, grounds, and parking facilities provided by the State.
 2. An injury occurring off the work premises is compensable only when the employee is engaged in authorized work activity or travel between work stations.
- (e) For the injury to be compensable, it must occur during normal work hours or approved overtime.
1. Injuries which occur during normal commutation between home and the work station or home and a field assignment are not compensable.
 2. Injuries which occur during lunch or break periods are not compensable. However, employees who are required by the appointing authority to remain at a particular job location during lunch and/or work-break shall not be precluded from receiving SLI benefits.

**4A:6-1.7 Sick Leave Injury (SLI) reporting and appeal procedures:
State service**

- (a) An employee is required to report to his or her supervisor any work accident or condition claimed to have caused disability upon occurrence or discovery, and is responsible for completing a written report on the matter within five days or as soon as possible thereafter. The report shall include a statement of when, where and how the injury or illness occurred, statements of witnesses and copies of all medical reports concerning the injury or illness.
- (b) The appointing authority shall review the request for SLI benefits based on the standards in N.J.A.C.4A:6-1.6, and within 20 days of receipt of the request:
1. Grant the request, notify the employee in writing and forward its recommendation to the Department of Personnel which, upon review, shall notify the employee and appointing authority whether or not the benefits have been approved; or

2. Deny the request and advise the employee in writing of the reasons for the denial and of the right to appeal to the Merit System Board within 20 days of receipt of the determination.
- (c) The appointing authority's recommendation for approval of SLI benefits must be accompanied by:
1. All personal injury reports;
 2. A record of the employee's lost time;
 3. A detailed explanation of the incident;
 4. All pertinent physician reports; and
 5. A completed "Request for Employment Disability Leave."
- (d) The appointing authority may require the employee to be examined by a physician designated and compensated by the appointing authority.
- (e) An employee may appeal an appointing authority denial of SLI benefits to the Merit System Board in accordance with N.J.A.C.4A:2-1.1 et seq.
- (f) An employee or appointing authority may appeal a Department of Personnel denial of SLI benefits to the Merit System Board in accordance with N.J.A.C.4A:2-1.1 et seq.
- (g) In all appeals, copies of all materials submitted to the Merit System Board shall be provided to all other parties.
- (h) The burden of proof is on the appellant to establish entitlement to SLI benefits by a preponderance of the evidence.

SURVEY OF SICK LEAVE INJURY USAGE 1988-1989

<u>DEPARTMENT</u>	<u>SLI DAYS PAID 1988</u>	<u>SLI DAYS PAID 1989</u>
Agriculture	55	223
Banking	0	5
Commerce, Energy & Economic Dev.	0	1
Community Affairs	N/A*	1,073
Corrections	5,331	5,770
Education	337	38
Environmental Protection	1,824	1,799
Health	326	228
Higher Education **	22	39
Human Services	37,530	39,883
Insurance	97	169
Labor	N/A*	704
Law & Public Safety	2,391	5,399
Military & Veteran's Affairs	1,023	2,501
Personnel	110	212
Public Advocate	206	139
State	132	59
Transportation	4,992	5,280
Treasury	<u>2,319</u>	<u>1,812</u>
Total Reported for Survey:	\$ <u>56,695</u>	\$ <u>65,334</u>

* N/A refers to non-availability of records

** Does not include State Colleges

Attachment #2 displays the relative concentration of SLI in the respective departments.

NEW JERSEY DEPARTMENT OF TRANSPORTATION

TO: Linda M. Anselmini
Assistant Commissioner
Finance and Administration

FROM: Reynold P. Risoldi
Manager, Human
Resources

SUBJECT: Suggestion

DATE: 5/17/90

EXT: 5-2934

The following is being submitted as a cost saving measure which was requested in the letter to all state employees from the Governor on April 26, 1990.

In 1979 and again in 1985 I submitted a proposal in the form of a suggestion outlining a problem within the State of New Jersey as it pertains to on-the-job injuries, workers compensation awards, lost time resulting from job-related injuries and the escalating costs of these programs. I recognized then that if the present process continued, costs to administer these programs would double in a few short years. The suggestion was submitted, reviewed by several departments and disapproved because the reviewers did not understand the overall problem nor did they not have insight into ways to improve upon the process.

The process of administering sick leave injury, on-the-job injuries, workers compensation, and return to work is complex and not easily understood by all of the user agencies. There is no consistency of application, no internal controls and the current process is outdated and requires reorganization. Recognizing this I developed and implemented a formal program in 1979 to address this problem in the DOT.

I have discussed our program in the past with several state agencies who have either adopted our plan or implemented their own tailored after the one I developed. The entire on-the-job injury program crosses over into several state departments who have jurisdiction over a piece of the process and each department works independently of each other. There is no central control or regulatory agency overseeing the entire operation. There are rules in Title 11A and in the New Jersey Administrative Code which discusses SLI, Workers Compensation and on-the-job injuries, but they are just so general

that each department is left to interpret them on their own. No two agencies function in the same manner. What surprises me is the lack of knowledge within each agency that administer these programs.

The State of New Jersey spends approximately \$40,000,000 each year as direct costs and another \$10,000,000 per year as indirect costs to process and pay for claims, medical services and lost time resulting from job-related injuries. Being self-insured the entire amount comes out of the general state treasury.

The direct costs include medical treatment by physicians, hospital care, medicine, x-rays, MRI's and any and all compensation awards for temporary and permanent compensation, including court fees. Indirect costs includes the lost time resulting from employees being out of work.

In 1978 the Department of Transportation conducted an in-house study and found that DOT employees were more prone to injury than employees in other departments. This was based on the kind of work performed in the DOT. For this reason, the DOT established five regional medical facilities, headed by a professional nurse, with Headquarters in Trenton manned by a professional physician on full-time duty. All injuries are processed through these facilities. Before recommending that an employee visit an outside vendor (physician) the injured employee is first seen by the full-time, on-staff physician for evaluation and treatment. If further specialized treatment is required the injured employee is sent to the appropriate specialist. This eliminates the time delays to obtain a doctor's appointment, which sometimes takes weeks while the employee remains off-the-job. It also reduces costs for the service and eliminates unnecessary bill (invoice) processing to pay for the service. It keeps the control for the return to work in the agency because the on-staff physician has the interest of the employee and the department at heart and will not keep the employee out of work longer than necessary.

With the exception of the Department of Environmental Protection's medical facility, which we helped develop and which was patterned after our own, no other state department has the effective capability or a formal program to administer and process in-house on-the-job injuries. Every other state agency sends their injured employee out to a private physician for treatment and follow-up. The charges for these services are excessive and the private vendor controls the process. It is obvious why employees remain out of work longer than they should and are not returned to work sooner.

It is my suggestion to establish five regional medical facilities staffed, owned and operated by the State of New Jersey to be strategically located throughout the state where injured employees could go to receive medical assistance for their job-related injury. This would eliminate or reduce overtreatment and overcharging for services the departments and State of New Jersey have control of but relinquish to the private physician.

The Department of Transportation processes approximately 1200 incidents of injury each year and of these 900 are of the no loss time variety while 300 require employees to be out of work. Approximately 75% of all injuries reported end up as a claim for some type of permanent compensation award (workers compensation). Prior to establishing our formal program in 1979 to address this problem, lost time from on-the-job injuries amounted to 12,000 days per year. By addressing the problem and instituting internal controls we have reduced the amount of SLI usage to approximately 5,000 days per year in 1989. We have also reduced the amount of money spent for outside medical services.

The concept I am recommending seems to work well in private industry, especially in New Jersey. The New Jersey Manufacturing Insurance Company has a medical clinic that they own and operate that treat employees of their insured. They do not use outside providers unless they need to. It is this concept that I am recommending and that the State of New Jersey consider. It has been proven at least in part to work at the New Jersey Department of Transportation. Our costs have not escalated at the same rate of inflation and, as a matter of fact, costs were reduced during several years between 1979 and 1989. This is a new concept but one that works in DOT. It can work on a state-wide basis. The Bureau of Risk Management has praised us for our past performance regarding our SLI program. It should be centralized for all State departments.

In addition to the skyrocketing cost of treatment for job-related injuries the State of New Jersey must review and consider the reorganization of the process which handles workers compensation (both temporary and permanent) and the objectives of the Bureau of Risk Management, Claims Services Section in the Department of Treasury.

The State of New Jersey has 3000 workers compensation claims pending some kind of litigation and/or settlement. Of these, 300 were submitted by employees within the DOT who were injured during the course of their employment. The Bureau of Risk Management processes workers compensation claims, pays all medical bills incurred for treatment, assembles the case for court purposes and works with three DAGs assigned to litigate them for settlement. That means that each DAG has an ongoing caseload of 1000 cases. Our DAG's are settling cases and awards to employees are being made out of court because they do not have the time or resources to litigate them. Almost everyone who submits a claim for an injury receives some type of monetary award. While I understand that the workers compensation law is classified as social remedial legislation and favors the claimant, the lack of staff, organization, controls and coordination between the parties involved has led to substantially increased cost to the state. A simple review will show that costs have doubled within the past two years because the present system to handle these matters is outdated and out of control.

It's time to change the process which has been in effect without substantial change for the past 30 years. If the concept is approved, each department would send its injured employees to a prescribed State of New Jersey medical facility for treatment and

4. Initiate on-the-job injury investigations and hire investigators to perform on-site interviews and follow-up with the injured employee and the supervisors to obtain information about the accident to be used at a later date in litigation and for use to determine compensability for SLI.
5. Increase the staff at the Bureau of Risk Management utilizing paralegals to assemble cases for court purposes.
6. Reduce the caseload of the DAGs handling workers compensation claims for the State of New Jersey by increasing the DAGs staff.
7. Eliminate the use of outside medical services except in emergency situations.
8. Conduct an extensive training program about the new concept.
9. Review the Workers Compensation law and institute a bill to change the wording because the law is too liberal and one-sided.
10. Establish a consistent state-wide written policy and procedure to be followed by all state agencies as it relates to the on-the-job injuries. There is no formal procedure in place at this time.
11. Tie in the SLI (Sick Leave Injury procedure with the Workers Compensation and TDI (Temporary Disability Insurance) procedures. Each of these related functions are administered in a different department and often times they overlap while one agency does not interface with the other.

The State of New Jersey has medical and non-medical facilities that they occupy throughout the state. These (if space is available) can be used as State medical clinics staffed with the proper medical equipment and human resources, (physicians and administrators, nurses, etc.) who will treat state employees as the need arises. Because the State of New Jersey has offices located in all parts of the state the exact location of these clinics would depend upon the highest density of the state employees and where they report to work. The treatment of the employee would not differ under the concept. The only difference would be that the injured employee would know in advance of the location of the medical facility and would not have to use the services of outside vendors. If space was not available in an existing facility the state would have to lease it.

The approximate start up cost for such a program would include the cost to staff each medical facility and, at least in the beginning, each would require a full-time physician, nurse, administrator and several clerical employees at a total yearly salary outlay of approximately \$250,000 per year.

The start up equipment required in each facility would be as follows:

follow-up. There would be no bills to process, no review of vouchers, no approvals or disapprovals of payment, etc. There would be no additional costs for medical reports, evaluations and rehabilitation. All medical services would be performed in these State operated medical facilities with the exception of those special or unique cases that require special attention. The turn around time of getting injured employees back to work would be significantly reduced. This new process would accelerate the lag time for appointments and eliminate or reduce the need for return visits or follow up visits for which the State is charged.

Many of the injuries reported are superficial in nature and do not require extensive medical treatment; however, the medical costs for these types of injuries indicate that many employees continue to return to the attending physician for rehabilitation and follow-up treatment and the costs for such injuries are much greater than they should be. These should be handled in-house by our own physician. Most physicians will continue to treat employees who have subjective medical and physical complaints. These subjective complaints and continued medical treatment will lead to continued time off or S.L.I. The employee is aware of this and continues to have subjective complaints and the outside or private physicians have no other choice but to keep the employee off the job until he/she is willing and able to return to work. If the State had control of the process this kind of situation would be reduced or eliminated.

The major difference between the present process wherein the State of New Jersey is billed for each service performed by physicians on an individual basis and the process I suggested is that these physicians would be on the State's payroll and would be paid a salary. There are approximately 1,000 physicians, hospital facilities, and industrial clinics who provide services to injured State employees. We process countless invoices each year from these vendors through the Bureau of Risk Management, the individual department where the employee is employed, the treasury, and the individual accounting departments. The process to pay these vendors in a timely fashion and to review the fee for each service rendered against a fee schedule and ensure that we have not overpaid for these services is time consuming and very costly. The majority of the paperwork process would be eliminated.

RECOMMENDATIONS

1. Redesign the entire on-the-job injury process by establishing regional medical facilities owned and operated by the State of New Jersey where all injured employees would go for treatment while curtailing the use of a private physician for this service.
2. Reorganize the Bureau of Risk Management and change their objectives from a bill paying and record keeping department to an administrative and regulatory arm of the treasury.
3. Increase the coordination between the Department of Personnel, the user agencies, the Bureau of Risk Management and the Office of Administrative Law so that there is a better understanding of the case material.

refrigerator
otoscope
pulmonary function
ultrasound equipment
autoclave
hydrocollator
slit-lamp
E.K.G. equipment
desks, chairs, etc.

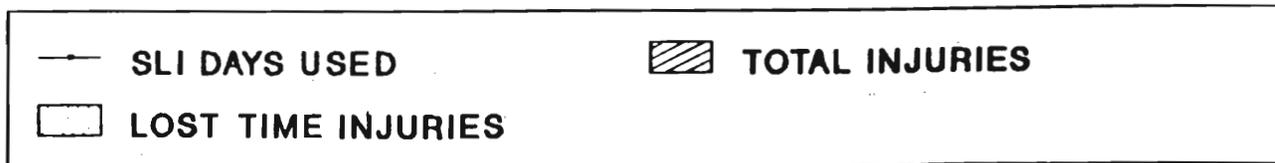
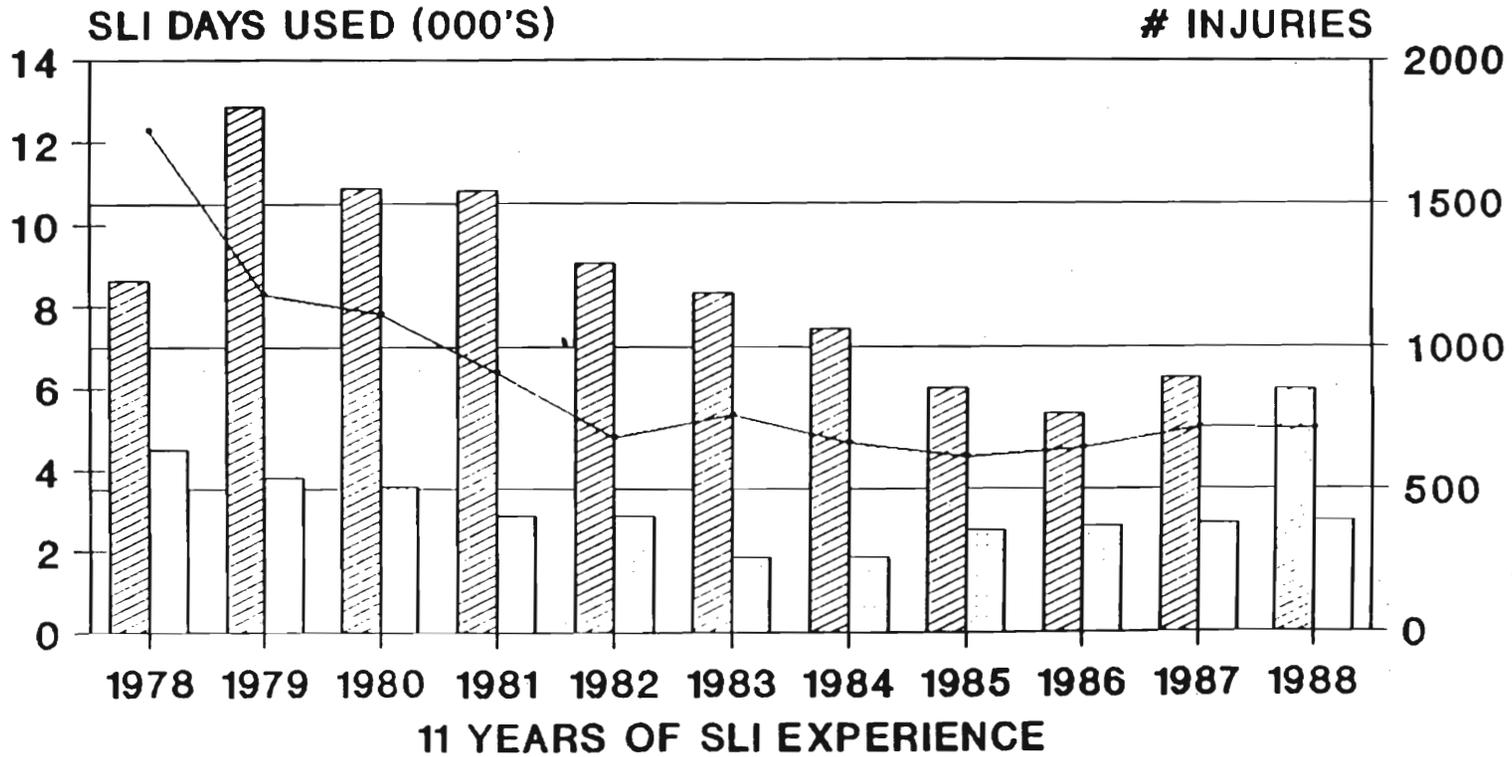
We believe that the costs for equipment would not exceed \$50,000. Therefore, the initial cost for each medical clinic would be approximately \$300,000 the first year. The cost savings for the services these clinics would provide would greatly decrease the cost of the millions spent for outside services.

R. P. R.

cc: Natalie P. Havran

	<u>1978</u>	<u>1979</u>	<u>1980</u>
SLI Days Used	12,310	8,313	7,822
Lost Time Injuries	639	541	512
No Lost Time Injuries	598	1,298	1,043
Total Injuries	1,237	1,839	1,555
	<u>1981</u>	<u>1982</u>	<u>1983</u>
SLI Days Used	6,382	4,756	5,324
Lost Time Injuries	408	408	264
No Lost Time Injuries	1,135	1,135	925
Total Injuries	1,543	1,294	1,189
	<u>1984</u>	<u>1985</u>	<u>1986</u>
SLI Days Used	4,638	4,313	4,515
Lost Time Injuries	261	358	371
No Lost Time Injuries	801	527	396
Total Injuries	1,062	855	767
	<u>1987</u>	<u>1988</u>	
SLI Days Used	5,020	4,992	
Lost Time Injuries	382	390	
No Lost Time Injuries	512	463	
Total Injuries	894	853	

DOT SLI PROFILE EXPERIENCE FROM 1978 TO 1988



RISOLDI REPORT DTD 5/21/90



STATE OF NEW JERSEY
DEPARTMENT OF PERSONNEL
ANDREW WEBER, COMMISSIONER
CN 317
TRENTON, N.J. 08625

**IN THE MATTER OF
SICK LEAVE INJURY
BENEFITS AND WORKPLACE SAFETY
PROGRAM**

**ORDER ESTABLISHING
PILOT PROGRAM**

ISSUED June 26, 1990

Pursuant to the provisions of N.J.S.A. 111:2-11(1), this pilot program is a demonstration project which will review the current sick leave injury processes in order to reduce costs and expedite appropriate benefits when an injury or illness is incurred by a State employee and is caused by or arising from his or her employment.

The program will also recognize employee concerns and attempt to improve workplace health and safety by instituting more effective measures designed to determine workplace risks and reduce the incidence of employee accidents.

The Departments of Transportation, Community Affairs and Insurance and the Marlboro Psychiatric Hospital (Department of Human Services), the Garden State Reception and Youth Correctional Facility (Department of Corrections) and New Jersey Veteran's Memorial Home-Vineland (Department of Military and Veteran's Affairs) will participate in the demonstration program in order to assess the feasibility of extending the program to all State departments and agencies.

The pilot program is attached to this order and made part of this order. The pilot program will be effective for a one year period commencing June 26, 1990.

A handwritten signature in cursive script, appearing to read "Andrew Weber", written over a horizontal line.

Andrew Weber
Commissioner
Department of Personnel



STATE OF NEW JERSEY
DEPARTMENT OF PERSONNEL
ANDREW WEBER, COMMISSIONER
CN 317
TRENTON, N.J. 08625

Pilot Program for Sick Leave Injury Benefits and Workplace Safety

A. Program Description

The Department of Personnel proposes to establish a pilot program for the purpose of reviewing the current Sick Leave Injury (SLI) processes in order to reduce costs and expedite appropriate benefits when an injury or illness is incurred by a State employee and is caused by or arising from his or her employment.

At the present time under the State's statutory and rule regulated Sick Leave Injury Program (SLI), affected employees receive full salary while incapacitated from duty due to an employment situation. A request for such leave is submitted by State departments to the Department of Personnel for approval. Additionally, medical costs are paid for by the State through the Bureau of Risk Management.

In a survey by the Department of Personnel, nineteen State departments reported that a total of over 65,000 days of SLI were used in 1989. This represents direct costs for salary totaling in excess of \$7,500,000. Medical costs incurred due to job related injuries or illnesses exceeded several million dollars.

There are also indirect or "hidden" costs for job related injuries including items such as production loss, training, replacement workers, supervisory time and investigation expenses which may amount to costs of four times the salary and medical expenses. Moreover, it is clear that such employment disabilities greatly affect the State's health benefit expenses and add significantly to overtime costs.

Three State Departments, Department of Transportation, Department of Community Affairs and Department of Insurance, representative of a large, medium size and small department will participate in the pilot program in addition to Marlboro Psychiatric Hospital (Department of Human Services), the Garden State Reception and Youth Correctional Facility (Department of Corrections) and the New Jersey Veteran's Memorial Home-Vineland (Department of Military and Veteran's Affairs).

The program will include:

1. The development of a data base to identify SLI usage by each agency and affected employee. Such information will be entered into the Personnel Management Information System (PMIS).
2. The identification of standard operating procedures and documentation with an on-going audit program by the Department of Personnel.

3. The implementation with bargaining unit and management representatives of health and safety training and improvement programs where warranted.
4. The initiation and expansion of loss control processes for each department.

B. Individuals Affected by the Program

Those most affected by this program will include employees in the participating departments who are covered by SLI and agency supervisors, managers and administrators who must report, recommend or review SLI claims. The program will also benefit all employees by recognizing their concerns and attempting to improve workplace health and safety by instituting more effective measures to determine workplace risks and reduce the incidence of employee accidents.

Employees will still be assured of their review rights on challenged SLI claims to the Merit System Board and will continue to retain their rights to benefits under worker's compensation laws, where applicable.

C. Anticipated Benefits of the Program

The program will standardize SLI review processes and attempt to reduce job related accidents and injuries. This should provide cost savings to the State and better working conditions for the employees.

D. Duration of the Program

The program will have a duration of one year. The Department of Personnel will monitor and audit the program and on the basis of experience and specific data analysis make appropriate recommendations for a more effective SLI program and improved workplace for all departments and State employees.

E. Consultations with Negotiation Representatives

Negotiations representatives were consulted and will be informed of the projects activities.



STATE OF NEW JERSEY
DEPARTMENT OF PERSONNEL
ANDREW WEBER, COMMISSIONER
CN 317
TRENTON, N.J. 08625

**Standard Operating Procedures For Sick Leave Injury
Benefits and Workplace Safety Program**

- I Develop a data base to identify Sick Leave Injury (SLI) usage by each agency and affected employee.
 - A. All SLI actions are to be recorded on the Personnel Management Information System (PMIS).
 - B. Generate SLI reports on a monthly basis, in order to review all the SLI claims.
 - C. Forward a copy of the employment disability leave log to the Office of Centralized Payroll, Department of Treasury and to the Department of Personnel. The log shall be due by the 15th of the month following the month of the report. Log sheets shall be forwarded each month, even if no SLI requests were approved by the Appointing Authority for the month of the report.
 - D. Retain for audit by the Department of Personnel:
 - 1. All personal injury reports showing types of injuries.
 - 2. A record of the employee's lost time.
 - 3. A detailed explanation of the incident.
 - 4. All pertinent physician reports.
 - 5. A log of all employment disability leave requests which contains a record of all previous SLI benefits granted to the employee and the reason for the prior claim.
- II Identify standard operating procedures and loss control measures, and initiate and expand loss control processes.
 - A. Grant SLI benefits for hours missed due to disability in accordance with prescribed uniform procedures and SLI rules.
 - B. Utilize part-time and/or light duty assignments to productively utilize employees who are not capable of performing full-time or regular duties.

- C. Train Managers in loss control management and participation in accident prevention efforts.
 - D. Formally investigate all accidents within 24 hours of their occurrence to verify accident situation and determine ways to prevent same from recurring. Take corrective actions and follow-up.
 - E. Enforce safety regulations and adherence to SLI program regulations.
 - F. Evaluate the potential for "in-house" medical treatment to save on medical treatment costs, reduce the loss of time away from the work site and gain tighter control on claims.
 - G. Following an accident, have the employee's supervisor maintain communications with the injured or ill employee and follow the employee's progress.
- III Implement with negotiation representatives, health and safety programs.
- A. Establish employee and management committees at worksites where health and safety concerns are presented to correct facility problems.
 - B. Conduct training programs for managers and/or employees on SLI claim procedures, safety and accident reduction where warranted.

SLI - SAFETY BACKGROUND

All questions are to be answered and explored. Use who, what, where, when and how. Yes or no is not sufficient. Obtain copies of everything possible.

Health and Safety Activity

1. Do you currently have any one person accountable for the safety activity?
2. Is there analysis of prior accidents?
3. Is there job safety analysis performed?
4. Does top management receive these analyses?
5. Is there displayed mandated notices on worker's safety and/or worker's compensation?
6. Are boards kept up to date?
7. Are inspections, safety and housekeeping done on regular basis?
8. Who receives the inspection reports?
9. Is there first aid training for supervisors, managers?
10. Is professional medical attention available?
11. Do you have designated health services personnel (Doctor's, Nurses) assigned in your organization?
12. Are employees aware of procedures necessary when accidents occur?
13. Is transportation, when needed, always available?
14. Are employees briefed on safety issues whenever new equipment, work stations changes, are introduced?
15. Does the safety person have authority to stop any operation deemed unsafe?
16. Are factors such as light, air quality, sanitary conditions regularly reviewed?
17. Does organization share health and safety information with other similar organizations?
18. Are health and safety standards of like situations available and used at all?

19. Are health and safety journals available and information disseminated to employees?
20. Are safety devices appropriate for jobs provided, paid for or offered through discounts?
21. Does the health and safety person(s) stay abreast of legislation and trends in health and safety area?
22. Are there any performance standards associated with a safety program?
23. Is there a policy statement on health and safety?
24. Is there a continuing visual communications program on health and safety?
25. Is there a continuing program of identification and communication of job hazards?
26. Is information on lost time injuries communicated to managers on a continuing basis?
27. Are disciplinary policy measures relating to health and safety communicated to employees?
28. Are employees made fully aware of hazards and what action is therefore expected of them?

Safety Equipment

29. Is there mandated use of safety equipment?
30. Are employees briefed on the proper use of safety equipment?
31. Is there a system for assuring issuance, training and maintenance in the use of safety equipment?
32. Are incidents which could influence the type and quality of equipment submitted to budget personnel for consideration in equipment specifications?

Employees and Managers

33. When hiring new employees do you offer an orientation/training with visual handouts on sick leave injury to help reduce occurrences?
34. Do negotiation representatives participate on safety committees?
35. Do you have continuing orientation on SLI benefits program, safety program and accident reduction training?
36. How many employees are brought back to work part time following injury?

37. What is the time frame on submitting SLI requests?
38. Are those who are denied advised of right of appeal?
39. Are reports on accidents and SLI use communicated to managers?
40. Is there any kind of reward or incentive program concerning employee safety, health or use of SLI?
41. Do you have a program of periodical physical exams for any jobs?
42. Are there special safety and health programs for any occupational group or titles?
43. Are near-accident given similar tracking and reporting?

SLI

44. When employee is on SLI, do you offer "lighter duties" as an alternative for return to work?
45. Do you follow up on employee's progress during SLI?
46. Do you feel SLI is abused?
47. How does SLI impact on your employment situation?
48. Is there union involvement in decisions?
49. Is there attempt to meet with parties concerning SLI to try to resolve any other problems?
50. Is counseling offered?
51. Suggestions for improving SLI system?
52. Suggestions for DOP and departments to work together to improve system?
53. Do you currently have any kind of automated record system on SLI and/or safety data?
54. What records and reports do you have relating to SLI and employee safety?
55. How are they maintained? Who (name and title) is responsible for SLI Reports?
56. How do you debit individual record for SLI use?
57. Do you have designated health services personnel (Doctor's, Nurses) assigned in your organization?

58. Do your records show the types of injuries, lost time, description of the incident, physicians reports, costs?
59. Do you keep any kind of log relating to SLI?
60. Do you have written standard operating procedures for granting and reporting SLI?
61. Do you communicate eligibility prerequisites to employees, managers?

Loss Control

62. Do you have an orientation or training program in accident prevention and/or loss control measures?
63. Do you formally investigate accidents?
64. Do you take corrective measures and follow up?
65. How do you enforce safety regulations and SLI compliance?
66. Do you regularly evaluate potential for in-house medical treatment?
67. Does someone maintain communication with the injured employee and health official on employee's progress?

Total number of injuries last 12 months: _____

Number of lost time injuries last 12 months: _____

Number of SLI days used (full-time): _____

Number SLI days used (part-time): _____

Number Safety Inspections: _____

Number after the fact investigations: _____

