



# **2023 State Workers' Compensation Program Advisory Board**

## **Annual Report**

**July 1, 2022 – June 30, 2023**

Report contains activities performed by the Advisory Board and Best Practices implemented by CMS Risk Management Division.

In Accordance with 20 ILCS 405-411 (e), the Illinois Department of Central Management Services submits the following report to Governor Pritzker and the General Assembly on or before July 1, 2023.

Raven A. DeVaughn  
Acting Director

## **Executive Summary**

The State Workers' Compensation Advisory Board met three (3) times in fiscal year 2023 (FY23) in its continued efforts to improve the State Workers' Compensation Program. During these meetings, the following best practices were identified: subrogation strategy revision, RFP process for new third-party claims administrator contract, weekly meetings with new Program Administrator, and transition of data from former program administrator to new administrator. The creation of meaningful new key performance indicators (KPI) was also discussed. Additionally, the Board and Illinois Department of Central Management Services (CMS) Risk Management identified and discussed opportunities to improve upon such practices during FY24.

## **AUTHORITY**

In accordance with 20 ILCS [Sec. 405-411(e)] the State Workers' Compensation Program Advisory Board (Board) was established to review, assess and provide recommendations to improve the State Workers' Compensation Program (Program) and to ensure that the State manages the Program in the interests of injured workers and taxpayers.

## **BACKGROUND**

Prior to 2004, program administration and funding were delegated to the Departments of Corrections, Transportation and Human Services with Central Management Services (CMS) administering benefits to all other agencies, boards, commissions and universities. From 2004 to 2013, program administration was consolidated at CMS, and in 2013, a third-party claims administrator (TPA) was selected via a competitive bidding process to administer all State of Illinois workers' compensation claims. With the expiration of the initial contract, an RFP was issued on June 24, 2022. Three vendors' proposals were accepted and evaluated. The final award of contract was issued to the vendor, Gallagher Bassett Services, Inc. (GB), on November 17, 2022.

## **ADVISORY BOARD MEETINGS**

In accordance with 20 ILCS [Sec. 405-411(e)] three (3) Board meetings were held in FY23 and meeting minutes can be found at the end of the report:

- September 13, 2022
- February 28, 2023
- May 9, 2023

## **BEST PRACTICES**

CMS improved upon several Best Practices in FY23 to protect the assets of the State of Illinois and to return injured workers to their workplace in the safest and most cost-effective manner.

**RFP Process** – When preparing the RFP for the new TPA, CMS identified opportunities for program improvement and included them in the RFP.

- **FY23 Improvements:** Notable improvements with the new TPA include an increase in staffing to adequately manage open claim inventories of no more than 150 for loss time claims and 250 for medical-only claims. This staffing model has increased the staff dedicated to the State of Illinois by nearly 100% when compared to the prior TPA. Another notable improvement is the addition of a safety analysis service. This process will have the vendor tour the higher claims frequency locations and provide a safety analysis to the employing agency and CMS. Gallagher Bassett has agreed to provide up to 150 hours free of charge annually for this service.

**Weekly Meetings with new TPA** – Conduct meetings weekly to provide status of claims transition from prior TPA to GB.

- **FY23 Improvements:** Meetings held from December 1, 2022 to present time addressed the timeline to transfer the TPA operations from prior TPA to GB. Meetings with new staff also set the expectations and procedures for handling claims on behalf of the State of Illinois. CMS Risk Management staff also conduct weekly meetings with the supervisory staff at GB to discuss any issues or concerns they or CMS may have. The meetings have an overall positive tone and are productive. When the need for an escalation occurs, it is handled almost immediately by GB when presented to their Client Services team. This team's purpose is to address CMS concerns in an expedient manner, and they define and establish service expectations. This is greatly appreciated by CMS and maintains harmony in day-to-day operations. The full transfer of all claim documents is complete and all are visible in the GB system. A total of 5,676 claims were transferred to GB and included over 2TB of image data.

**Subrogation Procedural Enhancements** – To improve subrogation results, procedural changes were implemented to increase recoveries from negligent third parties that were responsible for injuries sustained by an employee.

- **FY23 Improvements:** CMS has modified the use of Dollar Contracts when negotiating third-party settlements. CMS previously calculated the amount of the current lien to determine how much the State may potentially lose if liens are waived in exchange for a Dollar Contract that eliminates any future liability in relation to a Permanent Partial Disability (PPD) settlement. CMS now completes a cost/benefit analysis on all subrogation claims and includes potential future PPD exposure. The analysis calculates how much the State would owe if the PPD settlement was paid and recovered at 75% of the third -party settlement via the statutory requirements after attorney's fees are deducted from the settlement. The objective is to collect most of what is incurred to date and allow the employee to seek final settlement with a third-party insurance carrier. Once the numbers are calculated and reviewed, CMS determines what is in the best interest of the State. If a Dollar Contract is not in the best interest of the State of Illinois, we will then offer to reduce our lien and negotiate settlement that allows closure of future medical bills and still stay within the limits calculated. If the injured employee is not willing to negotiate, CMS will not reduce the lien and continue to pay future medical if needed and wait for the final settlement to obtain subrogation funds. As of May 26, 2023, FY 23 recoveries total \$2,986,939.85 and should easily exceed \$3M by the end of FY23.

## **IMPROVEMENT NOTED**

The relationship with the new TPA is proving to be beneficial. The engagement is positive and CMS looks forward to this new partnership. We are currently in the process of creating meaningful Key Performance Indicators (KPI) that will lead to overall improvement within the program. KPIs being discussed include inventory per claims handler, lag or delay in reporting claims, lost workdays, average cost per claim, litigation percentage, and managed care financial impact on the claim.

CMS and GB are currently in the process of cleaning and analyzing data to establish baseline metrics, set the expectations and track results going forward. These should be defined by September 2023 and ready to discuss during the next Advisory Board meeting that will likely take place in mid-September. Data and metrics will be compared to the Workers' Compensation industry and other government entities that GB has business relationships with. Different laws and occupations will need to be factored into the analysis when comparing data.

## **CONCLUSION**

Based on the Board's recommendations and our continued focus on loss prevention, CMS Risk Management has taken steps to become more proactive and has an excellent partner in the analysis of claims data, identifying trends on a daily, monthly, quarterly and annual basis. The continued support of CMS leadership allows for the development of tools and processes to better analyze the data in a more granular format.

The overall goal of the Program is to create a safe workplace for all employees and to return injured workers back to work in a more timely and safe manner, because a healthy worker is a more productive worker.

# Advisory Board Meeting Minutes

**September 13, 2022**

The State Workers' Compensation Program Advisory Board held its meeting September 13, 2022 via Webex. In attendance were Jack Engle (Chairperson), Ken Werts (Senate Minority Leader Appointee), Kevin Botha (Senate President Appointee), Michael Brennan (Workers' Compensation Commission), Jim Nichelson (Department of Revenue), Kari Wolfe (CMS), Laura Hammann (CMS Risk Management), Nicole Featherstone (CMS Risk Management), Joli Schroeder (CMS Risk Management), Jim Sterr (DOT), Justin Hammersmith (DOI-Department of Insurance), George Sweeney (DOI), John Street (DOI), Richard Glisson (Attorney General) and Jill Otte (Attorney General).

Jack Engle opened the meeting discussing the favorable trends over the past three fiscal years for record only injuries, medical only injuries, and indemnity only dollars incurred. Jack expressed concern with the accuracy of the data provided by Tristar and is waiting for a response regarding the validity of the numbers provided. The overall trends are accurate; however, the dollar amount provided for indemnity is being questioned. This concern stems from a discrepancy of approximately \$7,000,000 in the numbers provided last year for FY20 and FY21 and the numbers provided this year for those same fiscal years. Once the issue has been resolved and accurate figures provided, Jack will send out an updated PowerPoint to the audience.

Jack moved on to discuss the fiscal year analysis for average costs which are trending favorably downward. The top highest spend agencies were the Department of Corrections (DOC), Department of Human Services (DHS), Department of Transportation (DOT), Illinois State Police (ISP) and Juvenile Justice. Overall, the agencies are seeing favorable trends except Juvenile Justice which shows a slight increase. Jack noted that Jim Sterr has done an excellent job providing near real time reports of any new claims within the Department of Transportation which allows the Risk Management team to identify individuals who have frequent claims and respond immediately in the instance of a catastrophic event. Jack also advised that Nicole Featherstone and Laura Hammann have a monthly meeting with the ISP to review claims and gather a better understanding of the health of the injured workers and determine what is needed for those employees to return to work. ISP recently reached out to Jack regarding a policy manual they are creating which addresses wellness exams ISP conducts and how to address concerns regarding an injured employee's ability to return to work. Ideally, this will lead to a reduction in claims volume among ISP employees.

The discussion returned to loss data provided by Tristar. The top five causes of work-related injuries are hit by coworker or patient, fall (ice/snow), pandemic, patient assist, and collision with another vehicle. The pandemic numbers do show a slight increase; however, at this time those claims have all but stopped for the most part. The top five nature of injuries remains multiple physical injuries, strain, contusion, all other, and laceration. Most of these claims are in mental health and correctional facilities. There have not been any large changes but overall, there is less being spent on these claims. It should be noted that we have accepted more claims than in the past as litigation experience indicates that people who are paid for their time off and medical bills do not tend to pursue a claim with the commission. Loss data by occupation remains the same as it has been in the past with mental health technicians topping the list followed by correctional officer, highway maintainer, unassigned, security therapy aide, and juvenile justice specialist. The top five body parts injured by type are multiple body parts, body systems and multibody systems, finger, back area

lower, and right knee. Lastly, the top five losses by incident type are job task, patient assist, handling an inmate, walk/run, and patient restraints.

Jack advised that subrogation recoveries were just short of \$2,000,000 for the fiscal year, coming in at \$1,960,902.09. Our subrogation approach is contributing to the overall incurred cost as Nicole has been settling subrogation claims on a dollar contract. A dollar contract is where they will accept our money and forgo a claim before the commission and then pursue their claims recovery through the negligent third party. Looking at the 3<sup>rd</sup> quarter of the current calendar year we have collected nearly \$500,000 already and expect to recover \$1,000,000 in the first half of the fiscal year.

Updates to Risk Management include the Workers' Compensation Manager vacancy being posted which closes on Friday, September 16, 2022. Nicole and Laura will continue to maintain production until a suitable replacement is hired.

Tristar meetings continue to be conducted bi-weekly if not more frequently. Laura has been working with the account manager and agencies to conduct case reviews and develop claim strategies to get employees back to work in a more timely manner.

The RFP for the next contract has been issued and the evaluation of the technical portion is complete. Pricing will be evaluated soon with an initial award being issued by October 1, 2022.

Notable FY22 improvements include the WCC websites being functional. We are seeing the claims analysis tool being utilized at an increased rate, but we would like to see even more agencies requesting this data. Laura has developed a PowerPoint training for all new coordinators which helps develop a sense of ownership in the claims process and encourages coordinators to be more proactive than in the past. Lastly, Nicole's subrogation intercept project has created 15 recoveries to date totaling \$8,215.96.

Michael Brennan initiated the open discussion by commending Jack on the information provided which is phenomenal compared to where the meetings started a few years back. Michael also indicated he was extremely impressed with subrogation recoveries as he knows that it was very difficult to get recoveries started. Finally, Michael advised that the Workers Compensation Commission has gone completely paperless, and if CMS would like to mine its data, within reason, that could be done. Jack advised he would take Michael up on the offer once he receives validation of the data provided by Tristar. There was a brief conversation regarding the spike in Juvenile Justice claims which Jack believes may be attributed to a staffing shortage. Finally, Jack wrapped up the discussion by inquiring about any updates with the Department of Insurance investigations. George Sweeney advised there are approximately 20 cases in active investigation status and they are working to address the back log. Cases are prioritized in order of the statute of limitations expiration date.

The next meeting will be after the calendar year and will include updated news on the contract award.

## **February 28, 2023**

The State Workers' Compensation Program Advisory Board held its meeting February 28, 2023 via Webex. In attendance were Jack Engle (Chairperson), Ken Werts (Senate Minority Leader Appointee), Kevin Botha (Senate President Appointee), Michelle Porro (Speaker of the House Appointee), Michael Brennan (Workers' Compensation Commission), Ronald Rascia (Workers' Compensation Commission), Jim Nicholson (REV), Laura Hammann (CMS Risk Management), Nicole Featherstone (CMS Risk Management), Joli Schroeder (CMS Risk Management), Jim Sterr (DOT), Justin Hammersmith (DOI), George Sweeney (DOI), Patrick Nolan (CMS), Raven DeV Vaughn (Director CMS), and Richard Glisson (OAG).

Jack opened the meeting with an announcement that as of February 1, 2023, the State of Illinois has a new third-party administrator (TPA) handling Workers' Compensation claims. In June 2022, an RFP was issued which resulted in three successful bidders. After a protest was withdrawn by the second place vendor, an award was made to the highest qualified bidder, Gallagher Basset, in November 2022. As of last week, all data has been transferred from TRISTAR to Gallagher Basset. While there are minor issues with some data such as photos and comments not appearing, these issues are being addressed. A total of 5,428 open claims and 193,475 closed claims were transferred.

In preparation for the transition and data transfer, temporary disability payments were advanced through March 15, 2023. The State of Illinois still has access to view the TRISTAR system in the case of any unique situations in which the information cannot be located in Gallagher Basset's system. Additionally, a notice of the TPA change was sent to all employees and legal counsel on open claims. There is one final meeting with TRISTAR to discuss any data errors that occurred.

Since the award was issued, the claims manager at Gallagher Basset has assembled a team of 39 to handle claims; 30 Resolution Managers (Claims Adjusters), 6 Supervisors, 1 Assistant Branch Manager, 1 Branch Manager, and a Program Manager. The previous TPA only had 26 employees in comparison. CMS Risk Management has met the majority of the new TPA team, and Jack indicates the lowest tenure employee holds 7 years' experience with most employees having nearly 20 years' experience. Since the transition we have encountered a few issues which have been resolved quickly and on an individual basis with CMS.

Jack moved on to discuss the RFP process and how the creation of the RFP focused on identifying deficiencies and opportunities for improvement with the prior TPA. The goal was to identify a trusted partner to help manage the Workers' Compensation program. This includes ensuring that our employees are afforded high-quality care and claims service. And, equally important, the State of Illinois can benefit from increased efficiency, transparency, and data analytics to demonstrate quality outcomes and areas for improvement. Jack mentioned his commentary from the previous meeting in which he questioned the integrity of data that was provided by the previous TPA and advised how the information will be corrected in this new era. Gallagher Basset's system is far more powerful and robust.

Jack briefly discussed Gallagher Basset's history including that it is based in Rolling Meadows, Illinois; it is a Fortune 500 company; and was one of the earliest third-party administrators. Gallagher Basset ranks as the highest rated TPA in claims satisfaction by Advisen and is one of the largest, most-tenured and capable TPAs. They handle Workers' Compensation claims for Connecticut, Oklahoma, Nebraska, and the City of Chicago.



The three core areas that separated Gallagher Bassett from the competition are as follows: (1) they are a high character organization which was shown in their company history and experienced claims handlers who strive to return an injured worker to the workplace in the most efficient and cost-effective manner; (2) they have innovative claims solutions which was demonstrated in their proposal as they use a proactive approach at initial intake by having a nurse screen the intake call and determine if immediate care is needed, they provide recommendations for high-quality medical providers based nature, extent, and location of the injury, they record calls for quality assurance, and they have expansive and responsive IME referrals (3) and lastly, their superior data analytics allows them to address issues and opportunities for improvement. Jack noted the new system, LUMINOS, will allow immediate 24/7 access to claim files and is significantly easier to navigate than the system utilized by the previous TPA. Additionally, reports that were previously created and provided by the TPA will be able to be run by agencies themselves and will be customizable.

Jack advised that by next week agencies should have access to LUMINOS and by mid-March there will be a coordinator training on the new system. Additionally, the Attorney General's Office will have access to LUMINOS which will make it easier to prepare for trial and to pull records for subpoena responses.

Jack opened discussion for any questions regarding Gallagher Basset and the transition. Jim Sterr brought up a persisting issue with the previous TPA regarding the administrator not knowing what documents were being sent to the physicians for Independent Medical Examinations (IME). This in turn creates an opinion based on the documents and the exam but we do not know what documents went into forming that opinion as the TPA was not logging that information. Jim asked that we address this with Gallagher Basset from the beginning to prevent the issue from continuing. Nicole Featherstone advised that this issue had already been presented, and Gallagher Basset is going to create a tab which will have the IME and all the records. Richard Glisson also advised that Gallagher Basset is going to reach out to the provider prior to any exam to verify the provider has all the necessary records ahead of time.

Jack advised that we should have a few members of the Gallagher Basset team at the next meeting and they will be able to speak to the attendees. Additionally, he indicated that Gallagher Basset has agreed to 150 hours of safety analysis for free which will include a tour of facilities showing a high frequency of claims. Jack and Jim both agreed that such a presence should curb the frequency of some claims and allow safety and prevention of those high frequency injuries to be targeted. Next, Jack discussed fraud within Workers' Compensation and advised that at this time fraud has not been addressed with Gallagher Basset but they do have their own fraud unit.

Jack moved on to present CMS Risk Management updates which include a new Workers' Compensation Manager who starts March 1, 2023 and advised the subrogation results are trending greater than expected. In calendar year 2022, we had over \$3.3 million in subrogation recoveries and in fiscal year 2023 (to date) we have had almost \$1.9 million which will be over \$2 million when the check is received for a recently negotiated settlement.

In the next Advisory Board meeting, likely in May, Jack intends to invite the Gallagher Basset team including the account manager to share some of their early findings. Jack concluded the meeting with a summary of the next steps moving forward which include establishing our performance metrics and survey as well as performance guarantees.

The next meeting will be in May and Jack will have his report prepared for the new CMS Director Raven DeVaughn by the end of May.

**May 9, 2023**

The State Workers' Compensation Program Advisory Board held its meeting May 9, 2023, via Webex. In attendance were Jack Engle (Chairperson), Kevin Botha (Senate President Appointee), Michelle Porro (Speaker of the House Appointee), Jim Nichelson (REV), Laura Hammann (CMS Risk Management), Andrew Hall (CMS Risk Management), Nicole Featherstone (CMS Risk Management), Joli Schroeder (CMS Risk Management), Kari Wolfe (CMS Deputy Director), Jim Sterr (DOT), Justin Hammersmith (DOI), George Sweeney (DOI), Crispin Gorman (Gallagher Bassett), Lawrence Parizek (Gallagher Bassett), Gregory McKenna (Gallagher Bassett), George Sweeney (DOI), David Christensen (OAG), Marcial Benitez (CMS), and LaReyna Griffin (CMS).

Chairman Jack Engle opened the meeting with CMS Risk Management updates which included the introduction of the new Workers' Compensation Manager, Andrew Hall, who started March 1<sup>st</sup> and is handling the southern territory. Jack advised that subrogation recoveries have far exceeded expectations with a total of \$2,749,052.26 to date in FY 23 which is an increase of \$865,126.76 since the February meeting. It was noted that the subrogation manager, Nicole Featherstone, was recently named CMS employee of the month of April 2023. Nicole has been fulfilling not only her own job duties but those of the southern workers' compensation manager for the past year during which time the position was vacant.

TRISTAR's last day handling workers' compensation claims was January 31, 2023. Gallagher Bassett started as the new third-party administrator as of February 1, 2023. There have been some minor hiccups in the transition including delays in data image transfers which should be completed by June 1<sup>st</sup>. Overall, over 2TB of images will have been transferred to Gallagher Bassett. Since the transition, it is expected that 5,676 claims will be triaged after files are reviewed. As of May 3, 2023, 1,538 claims have been fully triaged, and 244 claims have been closed.

Together, the State of Illinois and Gallagher Bassett have worked to manage the transfer of claims and address any service issues in a timely and efficient manner. These issues have included but are not limited to expediting missed payments and setting up direct deposit protocols to avoid future issues on survivor claims or lifetime benefits awarded. As mentioned in the previous meeting, there continue to be weekly meetings with Gallagher Bassett supervisory staff.

Moving forward, Jack advised there will be increased emphasis on establishing clear and defined goals that allow progress to be tracked. This will include establishing key performance indicators and defining baseline metrics that should lead to improved results in relation to service, employee health, productivity, and overall program savings. These metrics will include a focus on inventory, lag, lost work days, cost, litigation and managed care. Results will be communicated to all shareholders. This will allow us to celebrate our successes by recognizing outstanding State of Illinois, Attorney General and Gallagher Bassett employees by communicating the results in quarterly newsletters and meetings.

Chairman Engle introduced Crispin Gorman of Gallagher Bassett who discussed items specific to the company and how they would be implemented with the State of Illinois. Specifically, Crispin discussed annual stewardship which is a comprehensive review of program results for the prior year. This includes results for key metrics, specific drivers of results, Managed Care-bill review, ancillary services, and Nurse Case Management. The review also identifies opportunities for

improvements/enhancements and provides the outcome of yearly initiatives and focuses on creating initiatives for the upcoming year.

Finally, Chairman Engle provided a brief overview of our next steps moving forward. The State will continue to work with Gallagher Bassett to create meaningful key performance indicators and stewardship results will be presented at the next meeting which will likely be in September. Chairman Engle noted that he will be attending the Gallagher Bassett Client Forum in October to collaborate with other Gallagher Bassett clients and to establish any Best Practices that may improve SOI WC results. Lastly, Chairman Engle noted that prior to the Covid-19 pandemic, Workers' Compensation Coordinator trainings were held in person and on a more regular basis which he hopes we can reintroduce.

Chairman Engle opened the meeting for any additional discussion or questions and kicked off the open discussion by inquiring with DOI on the status of a pending fraud claim referral for prosecution. George Sweeney (DOI) indicated it was in routing (review and approval) process and near completion for referral.

Sweeney expressed interest in working with CMS and Gallagher Bassett regarding best practices and creating a more streamlined process to investigate claims. Chairman Engle indicated that we all should work together to do this, and that CMS intends to meet with Gallagher Bassett this Summer to conduct safety inspections at locations with higher than normal claims frequency to develop a strategy to address safety concerns and possibly a fraud trend that may run parallel to the alleged safety concerns.

James Sterr (DOI) presented concerns with Return-to-Work programs or Alternative Employment within same Agency indicating that it is more cost-effective to offer another job and pay a wage differential rather than pay a lifetime award for disability benefit and pension. Chairman Engle and Michelle Porro agreed.

Mr. Sterr further initiated discussion regarding injured workers and statistics regarding depression and drug addiction for those who are not returned to work. Chairman Engle indicated that he has read articles on the topic but has no real statistics. He agreed it is a valid concern and that opiates may lead to increased depression as well. Crispin Gorman indicates that the concerns of Mr. Sterr are valid, and he will research the topic and share anything he may find. Chairman Engle also reiterated that working to return the employee to work in the healthiest and most efficient manner possible is the ultimate goal to maintain physical and mental health. Crispin also indicated there are programs that will have the injured worker perform transitional work or charity work to maintain positive mental health. Michelle Porro indicated she favors this approach and agreed with Mr. Sterr's position.

The union agreement was mentioned by Kevin Botha, who asked if it was still a concern as there has been previous concerns with injured employees who return to work on light duty and may be fulfilling roles outside of what they were originally hired to complete. Mr. Sterr indicated that it is still a concern and often an employee must return to TTD if on light duty for a time that exceeds defined contract parameters. The maximum light duty days for the Department of Transportation is 210 days and that it per the union collective bargaining agreement.