State of Alaska
Department of Labor and Workforce Development

DIVISION OF WORKERS’ COMPENSATION

Return to Work Project
Transition to a New Focus
Preface

Alaska’s Workers’ Compensation law is laid out in Title 23 of the Alaska Statutes. Beginning in 1960 Alaska crafted laws to protect employers and employees in work places in the Last Frontier. The Workers’ Compensation Act, (The Act), has been changed significantly over the past sixty years has Alaska and the work place has changed. Updates in the late sixties and again in the latter part of the seventies adjusted compensation and disability rates as jobs and the economy grew in Alaska. In the early eighties a concern over the expense of premiums for insurance propelled a significant change in workers’ compensation law focused on the costs of disability. Thus in 1988 a significant change in how permanent impairments were compensated for was instituted. This portion of Alaska workers’ compensation law was again the major change when the Legislature updated The Act in 2000. The last significant reforms to rehabilitation and reemployment of Alaskan injured workers was in 2005 with the addition of job dislocation benefits. With no significant changes in the past fifteen years and additionally no adjustments for inflation to indemnity benefits, namely permanent disability, Alaska has slipped behind other jurisdictions in achieving the goal of our mission.

Executive Summary

To ensure the quick, efficient, fair, and predictable delivery of indemnity and medical benefits to injured workers at a reasonable cost to the employers who are subject to the provisions of this chapter. Alaska’s attempts at rehabilitating injured workers has failed. In recent years an average of 140 injured workers are found eligible for a rehabilitation plan after over 550 evaluations, but only 13 on average finish the plan successfully. During the same period an average of over $10,000,000 annually was spent on evaluation, monitoring and wage replacement expenses on the support of these injured workers.

Why “Return to Work”

1. Participants from interested employers were 23.22 times more likely to return to work than those from uninterested employers, whereas participants whose intervention period exceeded 5 months were 41% less likely to return to work compared with those whose intervention period was within 3 months. (Awang, 2016)
2. Lower costs (Liberty Mutual, 2020)
3. Retention of employees (Employer Assistance and ReSource Network on Disability Inclusion, 2020)
4. Job knowledge (ReEmployAbility, 2020)

Workplace injuries and illnesses cost U.S. $250 billion annually. On average, there are 23,000 on-the-job injuries in the United States every day. Annually, this adds up to 8.5 million injuries and a huge cost to workers, their families, and our economy.

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History of Rehabilitation and Reemployment

Alaska’s formal laws for worker’s compensation began with statehood. While many aspects of disability law are retained by the Federal government, workers’ compensation has remained a state by state endeavor. The Grand Bargain...

Workers’ compensation has been called a grand bargain between employers and workers that developed at the beginning of the 20th century in response to dissatisfaction with the tort system as a method of compensating workers for occupational injuries, illnesses, and deaths (Szymendera, 2020).

Rehabilitation and reemployment of injured workers has been the focus of workers’ compensation since the beginning. As far back as Sumerian history, injured workers were reimbursed for disabling injury as a form of social compensation for their injury.

In Alaska at statehood, benefits were paid according to the body part injured, no process for the reintegration of injured workers to reenter the workforce were adopted until the advent of AS 23.30.041 in 1982. An expansion of the reemployment and rehabilitation under statute has occurred five times, with the establishment of an administrator and adoption of a job dislocation benefit. The last major update was in 2005.

Goals

To reduce long-term work absences among workers’ compensation claimants.

Early identification and recognition of injured employees who may have an extended time-loss incident.

To increase employment retention and labor force participation of individuals who acquire, and/or are at risk of developing disabilities that inhibit their ability to work.

To enhance Alaska’s workforce by enhancing the skills of injured employees returning to work.

Promote stronger communication among all parties.

Reduction of costs due to time-loss by enhancing the workers’ compensation system with stronger guidelines and better outcomes by a disciplined approach to each claim.

Build trust in the workers’ compensation system between employers, injured workers, insurance representatives and elected officials.

To track and monitor progress of injured employee’s returning to workforce or failure to acquire employment and the cause of the failure.
Radical Change Needed

Currently Alaskan employers spend in excess of $600,000 annually for 13 completed plans. In Alaska we have 17 rehabilitation specialists working on rehabilitation evaluations and reemployment plans, all paid by industry to perform this important work. Under statute the evaluations must be completed within thirty days with an allowed thirty day extension for “unusual and extenuating circumstances” (Legislature, 2020). In 2019 the median days from referral to determination was 75.6 at a cost of $2,118,256.

Under statute, AS 23.30.041, reemployment evaluations must be done if an injured employee is absent from their job for ninety consecutive days. This inflexible time limit results in needless expense. In 2019, Alaskan employers had 564 injured employees that required evaluations due to the ninety-day limit for consecutive days missing work due to injury. Of those receiving the evaluation, only 115 met the criteria for receiving reemployment benefits. This resulted in 449 evaluations that were performed that may have been avoidable. By allowing the RBA to exercise more control over when and who is eligible for an evaluation could have saved employers $1.68 million dollars in 2019 alone.

According to the National Safety Council, days lost due to injuries in 2019 totaled 70,000,000. This estimate includes the actual time lost during the year from disabling injuries, but excludes time lost on the day of the injury, time required for further medical treatment, or check-ups following the injured person’s return to work.

NSC estimates 55,000,000 additional days will be lost in future years due to on-the-job deaths and permanently disabling injuries that occurred in 2019. (Council, 2021)

The federal government has no formal oversight of state workers’ compensation programs. There is no federal mandate that states have workers’ compensation laws and no federal standards for workers’ compensation systems (Szymendera, 2020).
The reality is all parties have a stake in improving outcomes for injured workers. We must overcome the perceived issues and misperceptions of each of the stakeholder groups before serious lasting changes can be implemented.

- Workers can be seen as malingering and not interested in returning to the workforce, possibly even fraudulently exhibiting an injury status when medically stable. Unions can also be seen as defending the entitlement of the worker and resisting early return to work.
- Employers are often represented as uncaring and greedy, only interested in reducing costs to insurance and production. Often not communicating with the injured employee as the insurance adjuster becomes the communication conduit.
- Caregivers and medical providers are viewed as impediments to return to work participants by refusing to release an injured worker even to a lower level of work activity. Exercising an undo amount of caution in the process of employee healing and often do not view return to work programs as effective.
- Insurance companies are often perceived as interested only on the profitability of their company. That a claimant is an impediment to the goal of making an annual profit and that each injured employee is nothing more than a number.
- Regulators, legislators and agency staff are viewed as disinterested and incompetent. Bound by either the laws governing the staff or constituents who may not understand the workers’ compensation system.
- Attorneys representing injured employees are often viewed as exploiters and grandstanders, more interested in large cash settlements than rehabilitation of the client. (Committee, 2016)
Full integration of the injured worker is impossible without the cooperation of these parties. Additionally, no major change in the process of improving the outcome for all injured workers can be implemented without the consideration of these participants.

**Obligations of a state agency in the role of rehabilitation of injured workers.**

1. Ensure the basic objective is met by administering the laws relative to rehabilitation.
2. Continual review of the performance of the rehabilitation program and implement changes for improvement.
3. Workers’ Compensation must advise workers of their rights and duties under the Act and insure those benefits due are received.
4. Workers’ Compensation must inform employers, carriers, attorneys and medical practitioners of the responsibilities and obligations in the rehabilitation process under the Act.
5. Workers’ Compensation must assist and assure resolution of rehabilitation issues with consistent resolutions under the Act.
6. Absence of voluntary resolution, the Workers Compensation Board must make adjudicatory decisions to resolve issues affecting rehabilitation.

The compensation agency must have the authority and personnel to adequately fulfill these obligations. Additionally, skills and training of staff must be consistent with the functions and tasks to be performed, along with the support of State law. (Laws, 1972)

**A Path Forward**

A new emphasis is needed. The history of workers’ compensation claims shows us that a change in the process for injured employees is needed to provide for an effective workforce in Alaska. Return to work requires a commitment of all parties to fulfill their role in the workers’ compensation system to improve outcomes and move Alaska forward.

Often when examining this problem of improving workers’ compensation outcomes we start with the worker. Concern over the possibility of the injured worker residing in the system for a lengthy time and costing large amounts of dollars in medical and time-loss benefits resonates loudly with all parties. But we need to start at the foundation of this issue.

**Regulators, Legislators, and Agency Staff**

Work place injuries and the production lost from missing employees are an economic burden on commerce in Alaska. Even greater is the entire burden of cost to Alaska’s economic output when the aggregate numbers are considered. Just in 2019, $230.2 million was paid in benefits to injured workers. Additionally, $225.75 million in insurance premiums were purchased and another $53.25 million was spent by self-insured entities. The compounding effect of production losses, additional payroll for replacement workers, training and
recruiting makes a tremendous cost to the Alaskan economy when we cannot afford another impediment to recovery.

Transition to a return to work process will assist in reducing the cost to industry, improve the financial and social outlook of the injured employee and overall make the system better.

Legislation to ensure the process for rehabilitation and reemployment focuses on return to work is needed. Laws, regulations, policies and programs to incentivize employers of all types and sizes in participate in return to work and stay at work becomes reality. A program modelled after the incentive of investment in research for a company should be considered. Tax incentives are earned for research and development of technology, but investment in the workforce is rare. (Gardner, 1989)

Consideration of a fund for return to work assistance for our small company workforce is warranted. The ability to use matching funds or finance a portion of the cost of an injured worker returning to the workforce, even in a limited fashion, is an investment in saving costs later for rehabilitation costs from another source. A pay it forward program allowing injured workers to reintegrate beck into a more normal routine of work and preventing the eventual cost to vocational rehabilitation, social security or unemployment.

Evaluation of all existing laws and regulations that restrict or preclude return to work must be performed immediately. In Alaska’s case, the cost of rehabilitation evaluation must be addressed. By statute an evaluation must be performed at 90 days regardless of the medical condition of the injured worker. In some cases the fact that the employee is back at work still requires this evaluation, a needless cost to employers.

Expand mediation between parties to allow for stipulated retraining solutions. Injured employees may have an opportunity to better themselves by a path of retraining into another career that does not “fit” in the reemployment box from our statutes.

Develop a fee schedule for all rehabilitation benefits and providers in Alaska. Evaluation and plan development for rehabilitation and reemployment in Alaska is a higher cost than the retraining costs of the injured employee. Evaluation costs alone in 2019 were over three times the amount of the plan to retrain costs.

Implement an incentive to use State of Alaska training facilities to enhance reemployment. Create a path for injured employees to make use of facilities such as AVTECH at low or no cost thus utilizing in state expertise, available resources and ready to use Alaska programs.

Change the law to allow Workers’ Compensation staff to communicate, evaluate and monitor injured employees and close the loop on those cases where employees are lost in the system. By allowing staff to communicate sooner in the process and be equipped with the tools to enhance either rehabilitation or training while an employee is separated from work will improve our chances at shortening the time lost. This will save the system, especially insurers and employers, money and lower the cost of operation.

Allow referral to other agencies such as Vocational Rehabilitation. Employees who become disabled to the extent of needing services more accessible from our sister agencies should not be precluded from those services while in the workers’ compensation process.
**Caregivers and Medical Providers**

Promotion of return to work should be integrated and focused throughout the rehabilitation process. An earlier diagnosis of the ability to perform some level of duty, training or work needs to be implemented. While the medical profession has a responsibility of do no harm, allowing a patient to stay away from work is detrimental to the best outcome for an injured worker. The connection of worker to employer is a known factor in the success of rehabilitation treatment. (Awang, 2016)

At the initial contact it is important that the provider do a thorough history and physical. The work related injury/illness should be separated from non-work related complaints. Pre-existing and aggravating factors should be identified. Any functional loss, psychosocial or cultural barriers, co-morbidities, or complications should be taken into consideration in the development of the treatment plan. The treatment plan should include return to work expectations.

The injured employee should be counseled that return to work is essential to healing. Caregivers should encourage the employee to remain as active as possible and communicate that remaining at work, either in full or modified duties, will result in quicker and more positive outcomes. Injured employees will benefit from having realistic expectations about the anticipated course of the illness/injury. Research shows that returning to work speeds up the injured worker’s healing process, and therefore it is in the best interest of injured workers to proactively pursue return to work and function (Waddell, 2006).

Encourage employee involvement in his or her own care. One strategy is to have the injured employee keep a journal of the recovery process. A journal helps a caregiver monitor compliance and understanding with a treatment plan. This will allow an injured employee to see and reflect on progress toward treatment and functional improvement goals.

Involve agency staff, communicate immediately and often the progress and issues that arise in each injured worker case. Communication with Workers’ Compensation staff will promote a more holistic approach to the outcome of the claim. Allowing for training opportunities, interaction with all involved parties and a shorter duration of the process.

**Insurance Companies and Employers**

Both are included as under workers compensation these two parties have parallel interests and similar duties. As Insurers act on the employers behalf many injured employees view these entities as the same.

Insurers play an integral role in supporting recovery and return to work by acting as a facilitator throughout the workers’ compensation process. Opportunities for promoting return to work exist across an insurer’s entire operations, including underwriting, risk management and loss prevention, sales and marketing, and claims management.

Employers need to promote early return to work and proactively focus on the safe and early return to work of an injured worker to reduce labor costs, increase productivity, and improve employer branding.
Employers mistakenly believe that an injured employee must be fully recovered before returning to any work. Furthermore, many employers are concerned that HIPPA laws preclude the contact of an injured employee to inquire on medical progress. These views can damage the relationship between employee and employer due to credibility issues. This may further damage the relationship with other employees as trust becomes an issue of gossip.

Some insurers may see a conflict in return to work and claim settlement as the prevention of future claim exposures is considered to be financially beneficial. However, if the insurer can return an injured worker back to a greater level of function or earnings via modified duty than he or she would have otherwise experienced, the injured worker’s impairment is lessened and earning capacity increased. This reduces the value of the claim and decreases the settlement amount. In this instance, insurers benefit from reduced future liabilities.

Communication is once again the key for these parties. When a relationship exists between employer and employee and by extension the insurance company, a path forward to benefit all concerned is much easier to attain. In talking with an injured worker, claims personnel must reinforce the message that return to work is important for both physical and psychological healing. The development of an individualized return to work plan in consultation with the injured worker and employer is key. Involving the injured worker’s family in the development of the plan ensures clear understanding by the family members and solidifies support from the family in the injured worker’s return to work. If an employer cannot offer a modified position, claims personnel can talk with an injured worker about programs that allow flexibility for “modified” duty work at another facility. Possibly an injured worker could take the opportunity to recover while contributing to a charity or cause of interest to them. (Friedman, 1995)

Agency staff should be an integral part of this process, facilitating all communication and insuring the best outcome for all parties. Policies dictating employers and insurance companies to regularly involve Workers’ Compensation staff in the return to work process will enhance the outcome and lessen monetary burden.

Attorneys

Attorneys should recognize that return to work provides the best value for those they have taken an oath to represent, whether an injured worker, insurance company, or employer. Alaska must address the issue of employee representation and enhance the ability for assistance.

Attorneys are substantial players in workers’ compensation. A recent study from the Worker’s Compensation Research Institute (2012) indicated attorney involvement in lost time claims varied greatly from state-to-state with some states reporting as much as 50% attorney involvement as compared to others with approximately 8%. Unfortunately, research also indicates that attorney involvement in workers compensation claims is associated with negative outcomes such as longer duration of claims, increased costs, and poor outcomes in vocational rehabilitation. (Bernacki, 2008)

In Alaska the supply of attorneys representing injured employees is very limited. An adjustment to the allowable charges should be undertaken and an emphasis on the embrace of return to work balanced with advocating for employee rights is needed. Injured employees require guidance through the myriad of laws surrounding claims and an employee attorney provides the reassurance of a level playing field. This
would enhance communication between all parties, allow for injured employees to rely on a trusted advisor and free agency staff from the perception of pro se conversations.

Unions

Labor unions can play a role in return to work as well. It is important for unions to understand the inherent benefits of return to work and function so they can carry the message to their membership.

Union representatives and government affairs staff should actively participate in discussions with other stakeholders, business representatives, and legislators to make changes in their workers’ compensation systems to encourage return to work; for example, advocating for return-to-work incentives or for hiring disabled injured workers.

Workers

By far the largest impact of a workplace injury falls on the injured worker. The inability to work and perform daily functions not only places financial stress on workers and their families both immediately and into the future, but also places physical demands on families relative to the performance of daily functions (e.g., household chores, carpooling, and daycare).

The longer a worker is off work, the greater the impact is on their long-term earnings. This significantly worsens if the worker loses their connection to their employer of injury.

In a study based on Washington State Fund claims followed for ten years, it was found that compared to injured worker claims involving medical treatment only (Ge, 2015):

- Injured workers with less than 3 months of time-loss/temporary total benefits lost on average 3.5% of earnings
- Injured workers with 3-12 months of time-loss/temporary total benefits lost 11.6% of earnings
- Injured workers with more than 3 years of time-loss/temporary total benefits lost 28% of earnings.

Prevention is the best practice for lowering the cost to the workers’ compensation system. Workers should actively work to understand workplace policies, plans, and procedures well before an injury occurs on the job. There can be many pressing issues to address in the space of time immediately following a work injury, so understanding workplace policies, plans, and procedures beforehand can help mitigate stress and miscommunications after the injury.

Injured employees need to understand their role in the recovery process. Communication with employers and the insurance claims team will build supportive relationships to guide injured employees through this often complex and frustrating process. The worker should participate in all required medical treatment prescribed by the treating physician while understanding his or her own pain tolerance. It is in the best interest of injured workers to limit the use of narcotics in the treatment of pain, particularly over a lengthy period of time. The injured worker should question the physician about the prescriptions they are providing

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and be determined to inquire about the use of narcotics in the treatment plan. The worker should communicate to the physician his or her desire to return to employment as soon as physically possible.

The worker should take an active role in developing the return to work plan with the insurer, employer, and physician. Asking for help if needed is an important part of the recovery process. Injured workers should communicate his or her return to work plans and progress with family and friends. This will help provide accountability for the worker, as well as a strong support system during this difficult time.

Communication between the agency staff and injured employee will assist in decision making and response. With Workers’ Compensation staff oversite of the rehabilitation plan the adherence rate will greatly improve.

**Conclusion**

Great power requires greater responsibility.

Workers’ compensation system features influence the dynamics of the relationship between the injured worker and his or her employer and the parties’ shared motivation to facilitate a return to work. According to earlier research done by the Workers Compensation Research Institute (WCRI), workers in Pennsylvania and Wisconsin have higher rates of return to work and workers tend to return to work sooner than in other states we have studied (WCRI, 2010). These strong outcomes are shaped by employer and injured worker attributes and the interaction of multiple workers’ compensation system features. The evidence from the system expert interviews highlighted the following workers’ compensation system design features as having the greatest impact on return to work for longer-term unemployed injured workers:

- The standards and processes surrounding temporary disability (TD) benefit termination, including the extent to which state statutes encourage the use of light, modified, or transitional duty during the healing period.
- The transition between TD and permanent partial disability (PPD) benefits, particularly when it features strong, bilateral incentives for preinjury employers to return workers with permanent restrictions to work and for injured workers to accept offers of legitimate employment.

Wisconsin’s clear standards and processes for terminating TD benefits—when effectively communicated by employers and insurers and well-understood by injured workers and their medical providers—establish early, upstream expectations about benefit termination. These expectations prompt workers to focus on their recovery and return to work rather than on benefit continuation. In Pennsylvania, however, unilateral termination is generally not permitted; instead, there is an “agreement” approach which is intended to ensure due process. While such an approach creates strong financial incentives for employers to return injured workers to work, it also may delay return to work for some workers if a dispute arises, because workers do not typically return to work during the litigation process (WCRI, 2010).
A history of frustration continues with the rehabilitation and reemployment process. The Alaska Legislature’s own audit of Workers’ Compensation from October of 1999 points out the failures of the process. Reporting that approximately 1,000 claimants annually inquire into reemployment benefits with less than half being referred. The report also states that the lack of monitoring by the State of Alaska, more properly the Division of Workers’ Compensation, is a major problem in the poor performance of rehabilitation of injured workers (Davidson, 1999).

Disability Case Management

In a comprehensive 1996 study, the U.S. General Accounting Office (GAO) identified three essential elements of disability case management:

- Intervene as soon as possible after an actually or potentially disabling event to promote and facilitate return to work.
- Identify and provide necessary return-to-work assistance and manage cases to achieve return-to-work goals.
- Structure cash and medical benefits to encourage people with disabilities to return to work (Ge, 2015).

The third of these refers to the medical management and incentive approaches described earlier, while the second addresses the provision of accommodations. But early intervention is an issue of disability case management. All of these approaches to improving return to work can be effective only if they are directed to the injured workers who are most appropriate for, and in the greatest need of, intervention. Identifying and communicating with these employees early in the process is a key role of disability case management.
Alaska needs to implement a database tracking claimants from injury to return to work. Documenting the issues of reemployment, causes of failure or success and rehabilitation resources used. This should include monitoring all forms of assistance including unemployment insurance, social security and workers’ compensation benefits. Monitoring should continue until two years after reemployment for data control.

**Statute and Regulation Updates**

An update of AS 23.30.041 must be the first step. A removal of the forced eligibility evaluation at 90 consecutive days of missed work and allowing the RBA to decide the time for an evaluation is the logical first step. This one item will save employers time and money.

A process to require use of State services for rehabilitation, retraining and reemployment must be implemented. The expertise housed in our sister Divisions in assisting Alaskans to obtain jobs, training, vocational aid and interview skills can be utilized to overcome barriers to reemployment.

Concentrating rehabilitation and reemployment plans on returning an injured employee to work and a productive member of the workforce instead of the on the plan with the shortest amount of time to employability. Under current law the employment plans concentrate on speed and low cost, a focus on quality skill training and an ability to attain career employment to break the cycle of workplace injury to unemployment to additional social service support is needed.

Plan cost limits have been static for twenty years, flexibility in the cost of a plan must be implemented. To facilitate an improvement in returning injured workers to the productive workforce cannot be limited by an unreasonable cost ceiling. An adjustment of AS 23.30.041(l) for inflation is a good start.

Allowing employers and injured employees to stipulate to reemployment plans that are outside of the statute should be allowed. Leeway for injured workers to change careers and possibly choose a lesser wage upon completion of plan should be considered. An agreement between employer and employee to allow for extensive training for specialized service with current employer could also be implemented.

The ability for a reemployment plan to change or be suspended must be memorialized in statute by allowing the RBA the ability to modify plans when circumstances dictate a better outcome. Balancing these decisions with the ability to appeal to the AWCB.

Adjust AS 23.30.041(b)(6) to allow the Division through the RBA to control the rehabilitation specialist and enforce adherence to the Act.

Establish an advocate for non-represented injured employees. An ombudsman style assistance resource to assist with form filing, explain claim process and provide for faster claim disposition.
Bibliography


